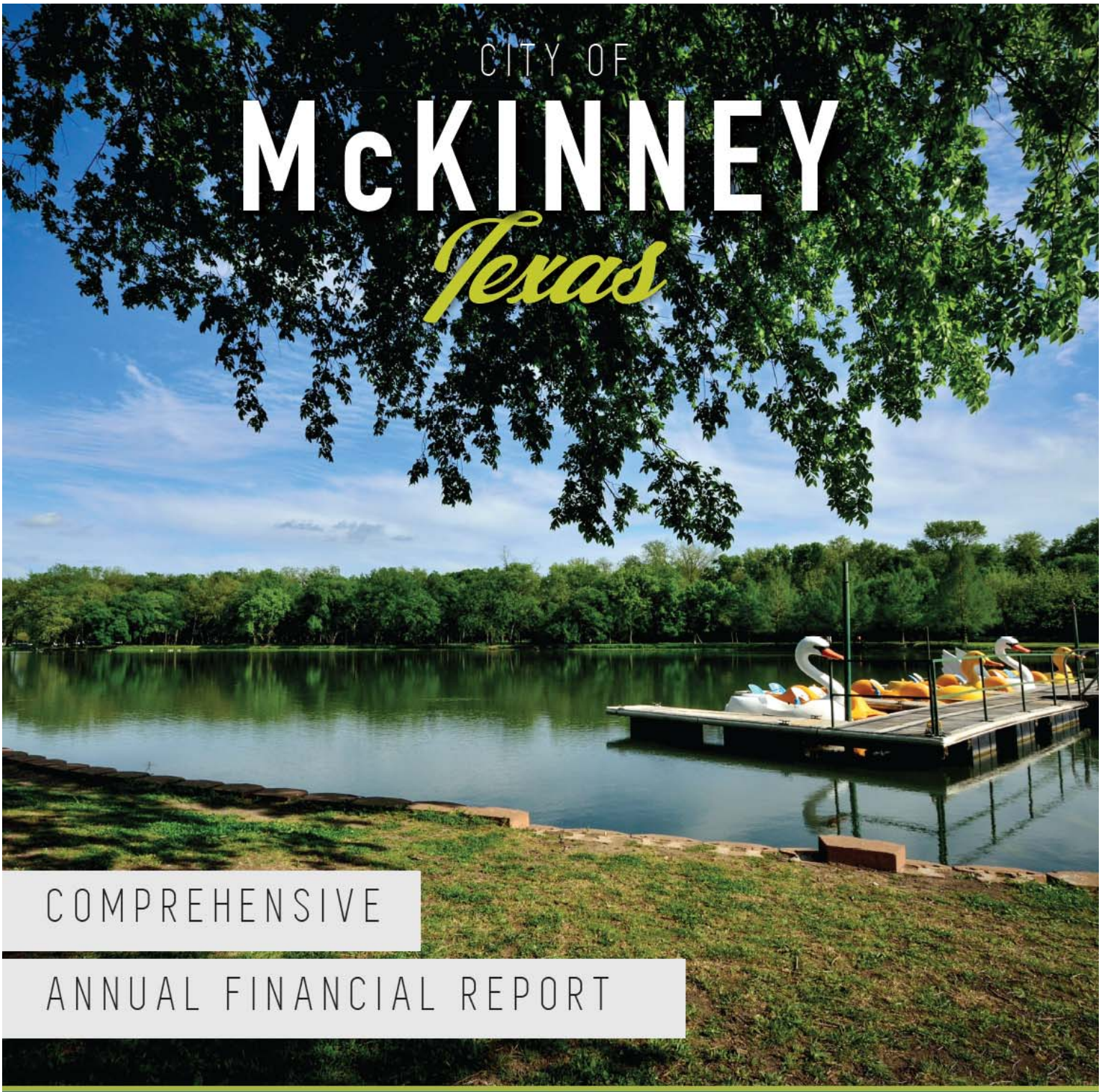


CITY OF

McKINNEY

Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2016

McKINNEY™
TEXAS
Unique by nature.SM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2016

AS PREPARED BY

FINANCIAL SERVICES

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION

Letter of Transmittal i
GFOA Certificate of Achievement vi
Organizational Chart vii
City Officials viii

II. FINANCIAL SECTION

Independent Auditor's Report 1

A. MANAGEMENT'S DISCUSSION AND ANALYSIS 4

B. BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements
Statement of Net Position 15
Statement of Activities 16

Fund Financial Statements

Governmental Fund Financial Statements
Balance Sheet 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 19
Statement of Revenues, Expenditures and Changes in Fund Balance 20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities 21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund 22

Proprietary Fund Financial Statements
Statement of Net Position 23
Statement of Revenues, Expenses and Changes in Fund Net Position 25
Statement of Cash Flows 26

Fiduciary Fund Financial Statements
Statement of Agency Assets and Liabilities 27

Discretely Presented Component Units
Statement of Net Position 28
Statement of Revenues, Expenses and Changes in Fund Net Position 29

Notes to the Basic Financial Statements 31

C. REQUIRED SUPPLEMENTARY INFORMATION
Texas Municipal Retirement System – Schedule of Changes in Net Pension Liability and Related Ratios 79
Texas Municipal Retirement System – Schedule of Contributions 80
Employees Other Postemployment Benefits Plan – Analysis of Funding Progress 81

D. COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES
Budgetary Comparison Schedule (GAAP Basis) – Debt Service Fund 82
Budgetary Comparison Schedule (GAAP Basis) – Capital Projects Fund 83

Page

Nonmajor Governmental Funds

Listing of Nonmajor Special Revenue Funds and Capital Projects Funds 84
Combining Balance Sheet 85
Combining Statement of Revenues, Expenditures and Changes in Fund Balance 87
Budgetary Comparison Schedule (GAAP Basis) – Hotel/Motel Fund 89
Budgetary Comparison Schedule (GAAP Basis) – Law Enforcement Fund 90
Budgetary Comparison Schedule (GAAP Basis) – Donations Fund 91
Budgetary Comparison Schedule (GAAP Basis) – Community Housing Fund 92
Budgetary Comparison Schedule (GAAP Basis) – Grants Fund 93
Budgetary Comparison Schedule (GAAP Basis) – TIRZ 1 Fund 94
Budgetary Comparison Schedule (GAAP Basis) – TIRZ 2 Fund 95
Budgetary Comparison Schedule (GAAP Basis) – PEG Cable Channel Fund 96
Budgetary Comparison Schedule (GAAP Basis) – Technology Improvement Fund 97

Nonmajor Enterprise Funds

Listing of Nonmajor Enterprise and Internal Service Funds 98
Combining Statement of Net Position 99
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 100
Combining Statement of Cash Flows 101

Internal Service Funds

Statement of Net Position 102
Statement of Revenues, Expenses and Changes in Fund Net Position 103
Statement of Cash Flows 104

Fiduciary Funds

Statement of Changes in Agency Assets and Liabilities 105

Discretely Presented Component Units

Listing of Discretely Presented Component Units 106
Balance Sheet – McKinney Economic Development Corporation 107
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position – McKinney Economic Development Corporation 108
Statement of Revenues, Expenditures and Changes in Fund Balance – McKinney Economic Development Corporation 109
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – McKinney Economic Development Corporation 110
Balance Sheet – McKinney Community Development Corporation 111
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position – McKinney Community Development Corporation 112
Statement of Revenues, Expenditures and Changes in Fund Balance – McKinney Community Development Corporation 113
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – McKinney Community Development Corporation 114

Page

Discretely Presented Component Units

Balance Sheet – McKinney Convention and Visitors Bureau 115

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position – McKinney Convention and Visitors Bureau 116

Statement of Revenues, Expenditures and Changes in Fund Balance – McKinney Convention and Visitors Bureau 117

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – McKinney Convention and Visitors Bureau 118

Balance Sheet – McKinney Main Street 119

Statement of Revenues, Expenditures and Changes in Fund Balance – McKinney Main Street 120

III. STATISTICAL SECTION

	Table	Page
Statistical Section Table of Contents		121
Net Position by Component	1	122
Changes in Net Position	2	124
Fund Balances, Governmental Funds	3	128
Changes in Fund Balances, Governmental Funds	4	130
Assessed Value of Taxable Property	5	132
Direct and Overlapping Property Tax Rates	6	133
Principal Tax Payers	7	134
Ad Valorem Tax Levies and Collections	8	135
Ratio of Outstanding Debt by Type	9	136
Ratio of General Bonded Debt Outstanding	10	137
Legal Debt Margin Information	11	138
Direct and Overlapping Governmental Activities Debt	12	139
Pledged-Revenue Coverage	13	140
Demographic and Economic Statistics	14	141
Principal Employers	15	142
Full-Time Equivalent City Government Employees by Function/Program	16	143
Operating Indicators by Function/Program	17	144
Capital Asset Statistics by Function/Program	18	146

McKINNEY™
TEXAS
Unique by nature.SM

INTRODUCTORY SECTION

McKINNEY™
TEXAS
Unique by nature.SM

February 16, 2017

Honorable Mayor and City Council,
City Manager,
Citizens of McKinney:

The Comprehensive Annual Financial Report (CAFR) of the City of McKinney, Texas (the City), for the fiscal year ended September 30, 2016, is hereby submitted in accordance with Section 46 of the City Charter.

This report is published to provide the City council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

BKD, LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of McKinney financial statements for the year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF MCKINNEY PROFILE

The City of McKinney, incorporated in 1848, is located in central Collin County, Texas, 30 miles north of downtown Dallas, on U.S. Highway 75. The City currently occupies a land area of 68 square miles and serves a population of approximately 168,000. The City is empowered to levy property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the governing council

The City Council is comprised of a mayor and six members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, and Municipal Judges. The mayor and the council members are elected on a non-partisan basis. Both the mayor and council members serve four-year terms. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and heads of departments, and the performance of functions within the municipal organization.

The City of McKinney provides a full range of services including police, fire, emergency ambulance service, library, parks, recreation, water, sewer, airport, refuse collection and disposal, golf, traffic engineering, streets and infrastructure, community development (planning and zoning), economic development, public improvements, and general administrative services.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable, but they are not part of the primary government's operations. The McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), McKinney Convention and Visitors Bureau (MCVB), and McKinney Main Street (MMS) are included in the financial statements as discretely presented component units.

LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. The US Census currently estimates McKinney's population at 168,000. Compared to 131,000 in the 2010 census and 54,000 in the 2000 census, this is an increase of 28% and 311%, respectively.

This growth is due in large part to corporate relocations in McKinney's neighboring cities, including Toyota Motor Company's Corporate Headquarters, State Farm Insurance Company's Regional Offices, Liberty Mutual Insurance and the Dallas Cowboys Star Development. These major employers in Collin County create a positive economic overflow for McKinney through increased residential demand resulting in higher assessed values on property. In perspective, McKinney's assessed taxable values have increased 60% since fiscal year 2010.

In an effort to spur our economic growth in McKinney, the City works in conjunction with MEDC and MCDC to make McKinney rich with industry. McKinney is the home to major medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 500 corporations to home-grown businesses. The impressive list includes: Raytheon, Encore Wire, Emerson Process Management, Baylor Medical Center at McKinney, Medical Center of McKinney, Torchmark/United American Ins., Watson & Chalin, UPS, Hisun Motors, Wistron Green Tech, and Service First Mortgage.

To support and foster the growth of McKinney's business community, the City of McKinney continues to expand fixed base operations at the McKinney National Airport. In 2016, the City completed construction of a new 18,000 square foot hangar to accommodate transient aircraft of all sizes for both short and long-term stays. In addition, the City is currently undergoing a comprehensive plan study to maximize the growth potential at the airport.

McKinney's small business community is equally as important to the vitality of McKinney's economy. McKinney enjoys one of the oldest authentic historic downtowns in Texas. Our 168-year old city center continues to serve as a thriving retail, dining, entertainment and business destination. The town square offers over 120 unique businesses within the commercial historic district, including a charming hotel and quaint bed and breakfast destinations nestled between eateries, specialty shops, apparel boutiques, art galleries and entertainment options. In 2016 the City partnered with a local developer to begin construction on a nine acre mixed-use development to spark additional growth in the historic downtown area of McKinney.

McKinney's growth and development over the past decade have been built on a strong foundation of overall planning, management, quality of life, and policy direction. All in all, the picture of McKinney is one of a vital community, facing the economic challenges and opportunities of the future with optimism and forethought.

LONG-TERM FINANCIAL PLANNING

In February 2015, City Council formally adopted its first ten-year financial plans for the General Obligation Debt Service Fund and the General Fund. These longer range planning documents help capture the larger scope of projects that will accommodate and foster future growth, while maintaining financial stability. In both plans, the City conscientiously planned to maintain a level property tax rate across ten years.

In 2016, the City completed a long term water/wastewater rate study that included the capital improvement needs in the foreseeable future. This study made rate suggestions that were adopted by the City Council, and will be revisited on an annual basis.

GENERAL OBLIGATION DEBT SERVICE LONG-TERM FINANCIAL PLAN
This ten-year plan was developed and adopted to pair the City's long-term debt capacity with the City's capital project financing needs. This plan was used to establish the City's 2015 bond referendum to get voter authorization towards projects planned over the next ten years.

Revenues for the plan, which come from property taxes, are projected at conservative levels and are compared to future estimates of debt service payments. The primary variables are the rate of increase in property tax, debt issuances and new capital improvement projects planned during the projection period. It is the City's policy that the percentage of tax rate allocated to debt services will not be more than 35%.

GENERAL FUND LONG-TERM FINANCIAL PLAN
This plan accounts for the future operating needs of the General Fund. It takes into consideration increased operational demands as result of McKinney expected population growth, as well as the operational impact of the capital projects outlined in the General Obligation Debt Service Long-Term plan.

Revenues for the General Fund plan are projected at conservative levels and are compared to expenditure increase estimates. The primary variables are the rate of increase in revenues and new projects or programs planned during the projection period. The City's General Fund revenue primarily comes from property taxes, sales tax and franchise fees. The remainder comes from licenses/permits, charges for service, fines and interest income.

FIVE-YEAR CAPITAL IMPROVEMENT PLAN
During the annual budget process, the City of McKinney publishes a capital improvement plan, which outlines the first five years of projects contained within the General Obligation Debt Service Long-Term financial plan and the water/wastewater rate study. The City annually evaluates the need to issue debt using the five-year capital improvement plan, staying within the guidelines of the approved debt policy and the General Obligation Debt Service ten-year financial plan.

RELEVANT FINANCIAL POLICIES

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of McKinney City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services of goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

Budgetary control is maintained at the fund level. All annual appropriations lapse at fiscal year-end. Under the City's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All requests for appropriation by the departments, divisions, and component units of the City of McKinney shall be furnished to the City Manager on or before August 1st each year. A proposed budget is presented to the City Council for review on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

MAJOR INITIATIVES

FINANCIAL TRANSPARENCY

The City of McKinney is committed to transparent government. Transparency promotes accountability and provides information for citizens so taxpayers can see exactly where their money is going. In order to achieve this goal, the City expanded the OpenGov Interactive Financial Reporting Tool on its website. Dashboard reports include budget versus actual revenues and expenditures, sales tax revenue by industry, Accounts Payable and Payroll check registers, the City's current outstanding debt, the City's capital improvement expenditures by geographic location.

In addition the City implemented a performance insight tracking tool on its website to show how city departments are performing against City Council and department goals. City Council goals and strategies, dubbed "McKinney First," are the building blocks for a successful city. Tracking performance against these goals enables leadership to work toward top priorities and helps residents better understand the results their tax dollars create.

CAPITAL PROJECT INITIATIVES

For Fiscal Year 2015-16, major project initiatives for the City of McKinney included completion of Sonntag Neighborhood Park, a new transient hangar at McKinney National Airport, and two major road projects on Redbud Boulevard and Lake Forest Drive. Major design and construction continued on the Aquatic and Fitness Center, two new water storage tanks, a new fire station, the airport parking ramp, NRCS Lake 2A Dam, as well as other various water and street improvements.

Fiscal Year 2016-17, major project initiatives for the City of McKinney will include completion of the Aquatic and Fitness Center and commencing design on the John & Judy Gay Library expansion, a police gun range, and the Public Works Complex expansion. Parks initiatives include Bonnie Wenk Phase II improvements with a special needs playground, Gabe Nesbit tennis center expansion and Erwin Park development. In addition, more than 60 street and water/wastewater improvement projects are moving forward to support population expansion as well as addressing some of our aging infrastructure needs.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McKinney for its CAFR for the fiscal year ended September 30, 2015. This was the thirty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current CAFR will be submitted to the GFOA where we expect it to meet the Certificate of Achievement eligibility requirements.

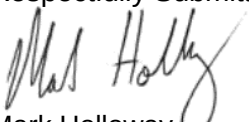
The City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2015. This is the thirty-second consecutive year the City has received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

Also in 2016, McKinney earned two Texas Comptroller of Public Accounts Transparency Stars for Traditional Finances and Debt Obligations. This award program recognizes local governments across Texas for going above and beyond in their transparency efforts.

Finally, in Fiscal Year 2015-16, McKinney won its first ever Municipal Excellence Award from the Texas Municipal League. The 'Management Innovation' award was in recognition of the efforts the City made in providing financial transparency through the OpenGov Interactive Financial Report. The Texas Municipal League only selects 5 cities with populations over 25,000 for this honor, and only one city is recognized for excellence in 'Management Innovation.'

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. Credit also must be given to the Mayor, City Council and the City Manager's Office for their support for maintaining the highest standards of professionalism in the management of the City of McKinney's finances.

Respectfully Submitted,



Mark Holloway
Chief Financial Officer

McKINNEY™
TEXAS
Unique by nature.SM

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of McKinney

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

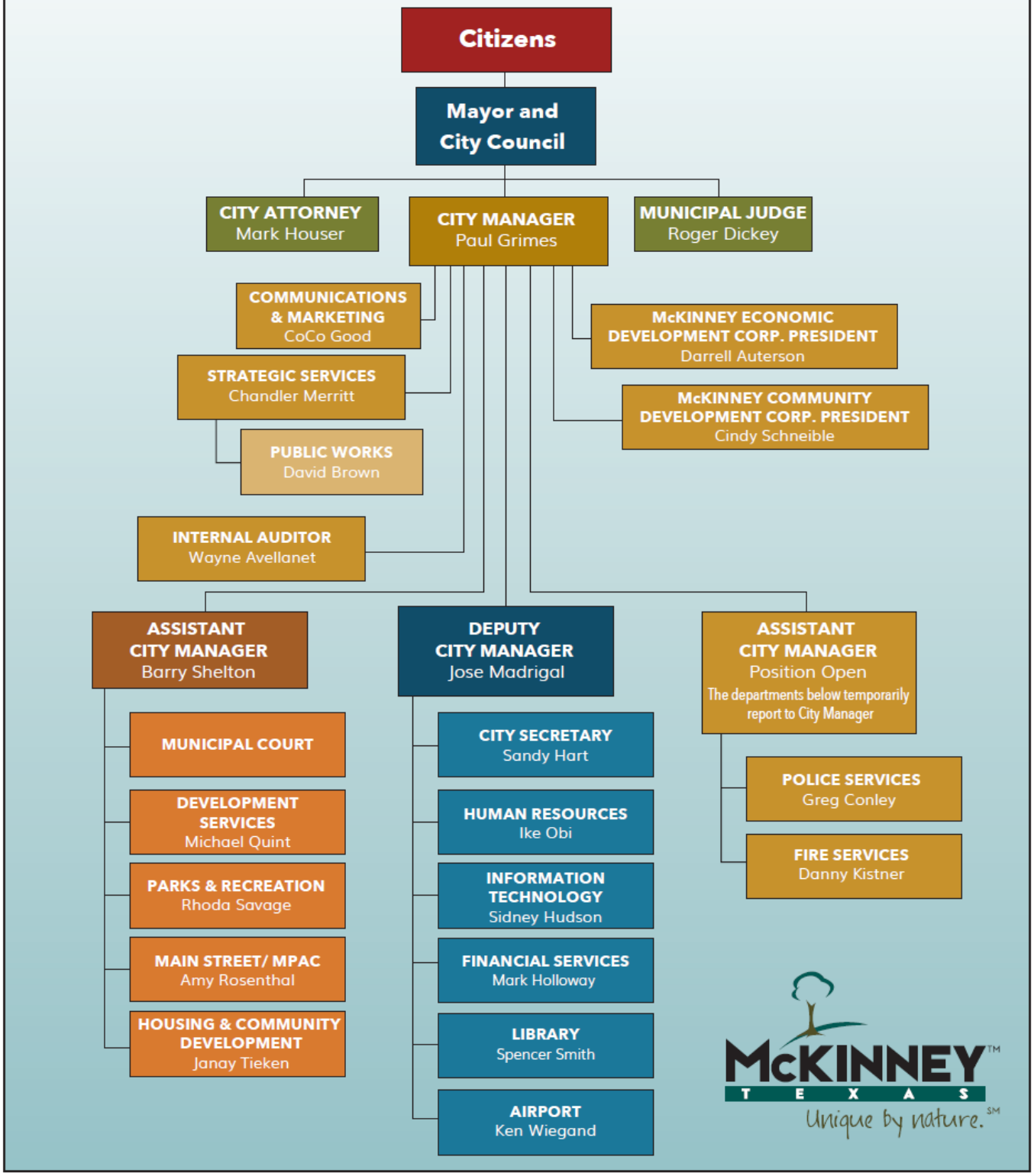
Executive Director/CEO

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF McKINNEY

ORGANIZATIONAL CHART

(as of 9-30-2016)


Citizens
Mayor and City Council
CITY ATTORNEY Mark Houser
CITY MANAGER Paul Grimes
MUNICIPAL JUDGE Roger Dickey
COMMUNICATIONS & MARKETING CoCo Good
STRATEGIC SERVICES Chandler Merritt
PUBLIC WORKS David Brown
McKINNEY ECONOMIC DEVELOPMENT CORP. PRESIDENT Darrell Auterson
McKINNEY COMMUNITY DEVELOPMENT CORP. PRESIDENT Cindy Schneible
INTERNAL AUDITOR Wayne Avellanet
ASSISTANT CITY MANAGER Barry Shelton
DEPUTY CITY MANAGER Jose Madrigal
ASSISTANT CITY MANAGER Position Open
The departments below temporarily report to City Manager
MUNICIPAL COURT
DEVELOPMENT SERVICES Michael Quint
PARKS & RECREATION Rhoda Savage
MAIN STREET/ MPAC Amy Rosenthal
HOUSING & COMMUNITY DEVELOPMENT Janay Tieken
CITY SECRETARY Sandy Hart
HUMAN RESOURCES Ike Obi
INFORMATION TECHNOLOGY Sidney Hudson
FINANCIAL SERVICES Mark Holloway
LIBRARY Spencer Smith
AIRPORT Ken Wiegand
POLICE SERVICES Greg Conley
FIRE SERVICES Danny Kistner
McKINNEY TEXAS
Unique by nature.SM

CITY OF McKINNEY, TEXAS
CITY OFFICIALS

CITY COUNCIL

Brian Loughmiller, Mayor
Randy Pogue, Mayor Pro-Tem
Don Day
Rainey Rogers
Travis Ussery
Tracy Rath
Chuck Branch

CITY MANAGER

Paul Grimes

DEPUTY CITY MANAGER

Jose Madrigal

ASSISTANT CITY MANAGER

Barry Shelton

CHIEF FINANCIAL OFFICER

Mark Holloway

FINANCIAL SECTION

McKINNEY™
TEXAS
Unique by nature.SM

BKD LLP
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961
972.702.8262 // fax 972.702.0673 // bkd.com

Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and budgetary comparison schedules listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
February 16, 2017

McKINNEY™
TEXAS
Unique by nature.SM

As management of the City of McKinney, we offer readers of the City of McKinney financial statements this narrative overview and analysis of the financial activities of the City of McKinney for the fiscal year ended September 30, 2016. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McKinney exceeded its liabilities and deferred inflows of resources at September 30, 2016, by $923 million (Net Position). Of this amount, $691 million (75%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total $99 million (11%). The remaining $133 million (14%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of McKinney's net position increased by $77 million. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by $10 million.

- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of $230 million, an increase of $43 million in comparison to the prior year. Approximately $61 million, or 27%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).

- Within the combined fund balances, $1.4 million is nonspendable for inventory and prepaid items. $3.9 million is restricted for debt service, $155.3 million is for street construction and other capital projects, and fund balance of $5.6 million in the special revenue funds contains grant and other spending restrictions. $2.8 million has been assigned for Other Postemployment Benefits (OPEB) and the remaining $61 million is unassigned fund balance in the general fund and can be used for any lawful purpose. The unassigned general fund balance is equal to 56% of total general fund expenditures. This represents 31% more than the fund balance policy requirement of 25%.

- On a government-wide basis, the City's total liabilities increased by $32 million or 8% during the current fiscal year. Major contributable factors include debt issuances and refundings netting an $18 million increase to bonds payable and the effect of GASB 68 to account for the City's current net pension liability of $14 million.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of McKinney's basic financial statements. The City of McKinney's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government – Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of McKinney's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of McKinney's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the total of assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of McKinney is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including administrative, police, fire, development, public works, parks, and library. Property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses and permit fees finance most of these activities.

- **Business-type Activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system, solid waste system, airport, golf course and surface water drainage system are reported here.

- **Component Units** – The City includes four separate legal entities in its report – McKinney Economic Development Corporation, McKinney Community Development Corporation, McKinney Convention and Visitors Bureau, and McKinney Main Street. Although legally separate, these component units are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McKinney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of McKinney can be divided into three categories: governmental funds, proprietary funds including internal service funds, and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of McKinney maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of McKinney adopts an annual appropriated budget for its general fund, debt service fund, capital projects fund, nonmajor special revenue funds, and the nonmajor capital projects fund. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-22.

- **Proprietary Funds.** The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

  The City of McKinney maintains five individual enterprise funds to account for its water and wastewater, airport, solid waste, golf course, and surface water drainage. The water and wastewater fund and airport fund are considered major funds, while the solid waste fund, golf course fund and surface water drainage fund are considered as nonmajor funds of the City. Individual fund data for each of these funds is provided in the form of combining statements in this report.

  The City of McKinney uses the internal service funds as an accounting device to accumulate and allocate costs internally among the City's various functions. The City maintains two internal service funds, one to account for the claims of the City's self-funded insurance program and risk management program and one to account for the costs associated with the maintenance of the City's operation and service vehicles.

  The basic proprietary fund financial statements can be found on pages 23-26.

- **Fiduciary Responsibilities.** The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

  The basic fiduciary fund financial statements can be found on page 27.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-78.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of McKinney's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, which can be found on pages 79-81.

The combining statements referred to earlier in connection with the nonmajor governmental funds, nonmajor enterprise funds and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 82-120 of this report.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $923 million as of September 30, 2016.

By far the largest portion of the City's net position, $691 million or 75% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net position, $99 million or 11%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $133 million or 14% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net position for governmental activities and business-type activities is summarized as follows:

	Governmental Activities		Business-type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
ASSETS						
Current and other assets	$ 264,793	$ 223,306	$ 130,642	$ 106,315	$ 395,435	$ 329,621
Capital assets	511,472	499,819	427,219	406,784	938,691	906,603
Total Assets	776,265	723,125	557,861	513,099	1,334,126	1,236,224
DEFERRED OUTFLOWS OF RESOURCES	18,243	8,320	8,387	7,366	26,630	15,686
LIABILITIES						
Other liabilities	23,464	24,335	7,908	6,563	31,372	30,898
Long-term liabilities outstanding	319,131	302,116	85,781	70,880	404,912	372,996
Total Liabilities	342,595	326,451	93,689	77,443	436,284	403,894
DEFERRED INFLOWS OF RESOURCES	1,151	1,367	149	177	1,300	1,544
NET POSITION						
Net investment in capital assets	320,331	268,919	370,316	340,775	690,647	609,694
Restricted	86,154	100,239	12,746	13,244	98,900	113,483
Unrestricted	44,277	34,469	89,348	88,826	133,625	123,295
Total Net Position	$ 450,762	$ 403,627	$ 472,410	$ 442,845	$ 923,172	$ 846,472

The City of McKinney's net position increased by $77 million during the current fiscal year. This was driven by an increase in governmental net position of $47 million, and an increase in business-type activities net position of $30 million. Details are listed in the table below and discussed on pages 9-10.

Changes in Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
REVENUES						
Program revenues:						
Charges for services	$ 21,487	$ 19,196	$ 88,611	$ 75,045	$ 110,098	$ 94,241
Operating grants and contributions	2,012	2,051	55	67	2,067	2,118
Capital grants and contributions	48,228	38,427	30,336	18,126	78,564	56,553
General revenues:						
Property taxes	90,582	79,819	-	-	90,582	79,819
Sales taxes	25,360	23,042	-	-	25,360	23,042
Franchise taxes	14,162	13,858	-	-	14,162	13,858
Other taxes and fees	418	434	-	-	418	434
Investment income	1,153	371	1,216	663	2,369	1,034
Other revenues	715	2,834	240	(92)	955	2,742
Total revenues	204,117	180,032	120,458	93,809	324,575	273,841
EXPENSES						
General government	29,952	27,058	-	-	29,952	27,058
Police	29,047	25,624	-	-	29,047	25,624
Fire	25,632	23,727	-	-	25,632	23,727
Libraries	3,775	3,694	-	-	3,775	3,694
Development	10,223	13,418	-	-	10,223	13,418
Parks and recreation	12,527	9,377	-	-	12,527	9,377
Public works	40,143	39,812	-	-	40,143	39,812
Interest on long-term debt	9,020	8,019	-	-	9,020	8,019
Airport	-	-	9,340	8,860	9,340	8,860
Water/Wastewater	-	-	69,073	60,487	69,073	60,487
Solid Waste	-	-	6,862	6,861	6,862	6,861
Golf Course	-	-	182	199	182	199
Surface Water Drainage	-	-	2,099	1,911	2,099	1,911
Total expenses	160,319	150,729	87,556	78,318	247,875	229,047
Increase (decrease) in net position before transfers	43,798	29,303	32,902	15,491	76,700	44,794
Transfers	3,337	2,965	(3,337)	(2,965)	-	-
Increase (decrease) in net position	47,135	32,268	29,565	12,526	76,700	44,794
Net Position- Beginning	403,627	371,359	442,845	430,319	846,472	801,678
Net Position- Ending	$ 450,762	$ 403,627	$ 472,410	$ 442,845	$ 923,172	$ 846,472

Governmental Activities

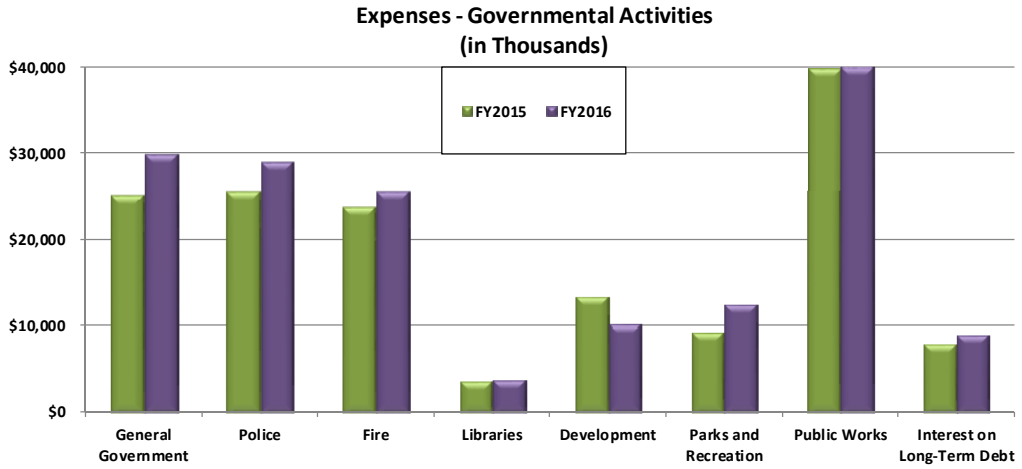
Governmental activities increased the City's net position by $47 million during the current fiscal year. The key elements of this increase are as follows:

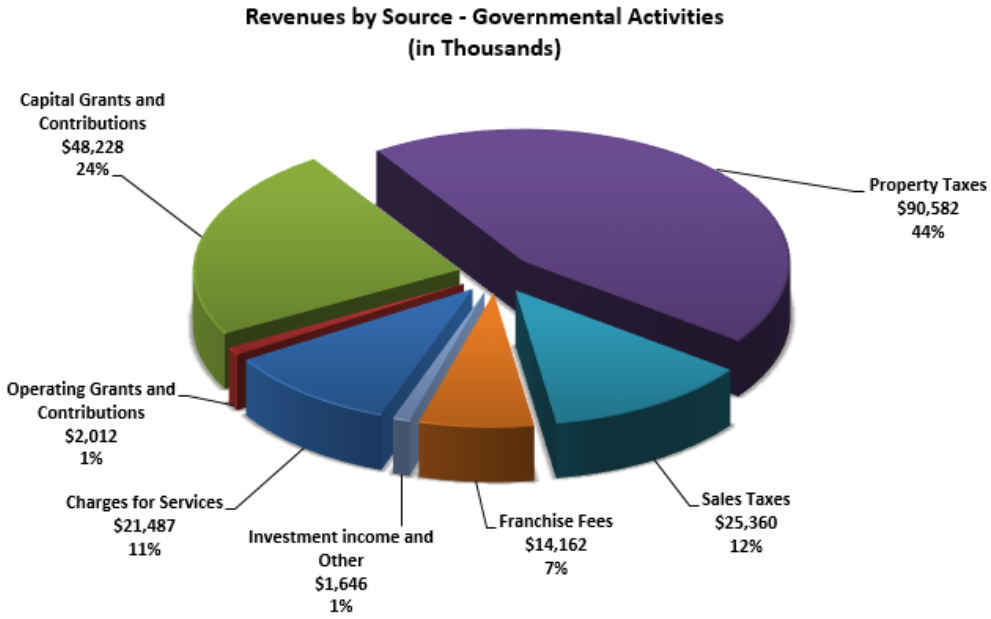
Revenues

- Property taxes increased by $10.8 million as a result of a 13.9% increase in certified taxable value.
- Sales taxes increased by $2.3 million, or 10% as a result of population growth in the area.
- Charges for services increased by $2.3 million as a result of increased development generating higher revenues for engineering inspections, building permits, and various licenses.
- Contributions are reported with a $9.8 million increase as a result of increased developer contributions to capital project funds

Expenses

- The City's governmental expenses increased by $9.6 million as a result of budgeted personnel additions and 3% salary increases, and a rise in depreciation expense of $3.2 million.
- The 2016 budget authorized 22.3 additional positions which are reflected in expenses
- Claims relating to the City's health benefits increased by 16% compared to the prior year, resulting in an additional expenses of $1.8 million.




Revenues by Source - Governmental Activities
(in Thousands)
Capital Grants and Contributions $48,228 24%
Property Taxes $90,582 44%
Operating Grants and Contributions $2,012 1%
Charges for Services $21,487 11%
Investment income and Other $1,646 1%
Franchise Fees $14,162 7%
Sales Taxes $25,360 12%

Business-type Activities

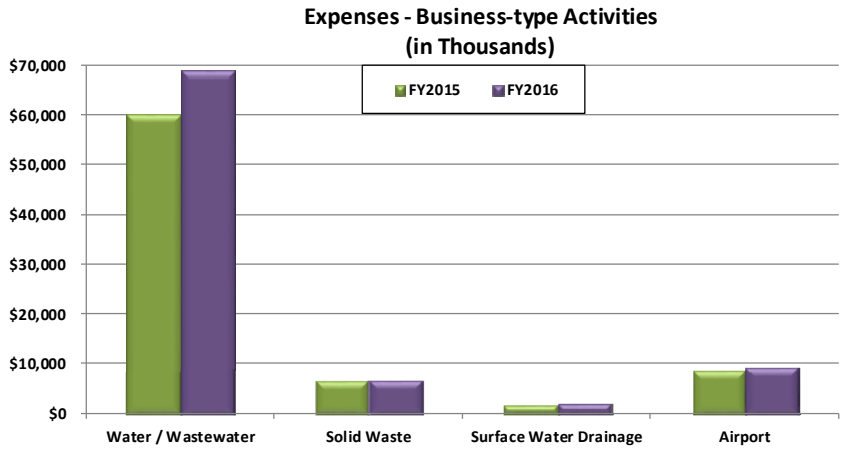
Business-type activities increased the City of McKinney's net position by $30 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

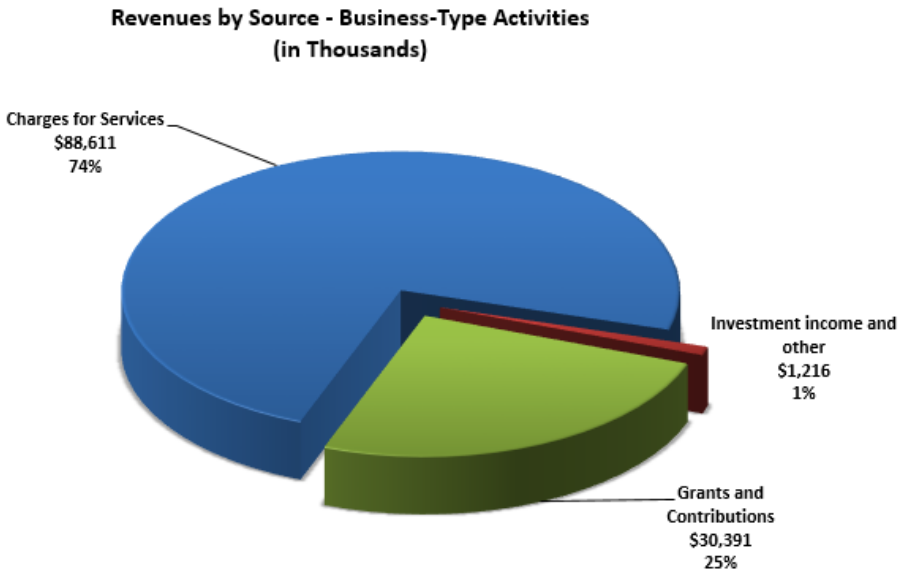
Revenues

- The Water/Wastewater Fund's operating revenues increased by $11.7 million or 20% due to rate increases of 11% and 13%, respectively, and an increase of approximately 2,500 new service locations.
- The Water/Wastewater Fund received capital contributions of $26.5 million relating to increased development in the City.
- The Airport Fund's operating revenues increased by $.6 million or 10% due to increases in fuel sales and hangar leases.
- The Airport Fund received contributions of $4 million for capital construction in the current fiscal year.

Expenses

- Expenses in the Water/Wastewater Fund increased $8.6 million mainly attributed to a $5.2 million increase in water purchase and sewer service charges from North Texas Municipal Water District and a $1 million increase in franchise fees and street cut fees (contract payments) paid to the General Fund.





Financial Analysis of the City's Funds

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of $230 million, an increase of $43 million or 23% in comparison to the prior year. Approximately $61 million or 27% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered nonspendable, restricted, committed, or assigned in conformance with GASB 54 requirements. Please see page 18 for financial details and page 40 for category definitions.

General Fund. The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unassigned general fund balance was $61 million, while total fund balance was $66 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56% of total general fund expenditures.

The general fund balance increased by $16 million or 33% during the current fiscal year. This was the result of continued residential growth generating development revenues in excess of budgeted expectations and $3.4 of proceeds from the sale of land combined with expenditures well below budgeted expectations due to unfinished projects.

Debt Service Fund. The debt service fund had a total fund balance of $3.8 million. There was no significant change in fund balance during the current year.

Capital Projects Fund. The capital projects fund has an ending fund balance of $138 million. Total expenditures for the current year were $18.3 million. The large fund balance is due primarily to the issuance of long-term debt during the fiscal year. A second factor contributing to the large fund balance is the result of many unfinished projects. Most of the projects have long duration due to acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include the rehabilitation of Lake 2A dam, purchase of 65 acres of parkland, construction of Sonntag Neighborhood Park, and extension of Redbud Boulevard.

Proprietary Funds

The City's proprietary funds provide the same type of information that is found in the government-wide financial statements for business-type activities, but in more detail. At September 30, 2016, net position of the proprietary funds included the following amounts of net position:

Water and Wastewater Fund. Water and Wastewater Fund net position increased by $26 million resulting primarily from capital contributions. Operating revenues totaled $71 million, an increase of $11.8 million, or 20% over the prior year due to council adopting to pass through the rate increases from the North Texas Municipal Water District (NTMWD) of 11% and 13%, respectively. In addition, residential development resulted in approximately 2,500 new service locations. Operating expenses in the Water and Wastewater Fund were $66 million, an increase of $8.4 million or 14% over the prior year, primarily a result of the significant increases in NTMWD water purchase rates and sewer service charges.

Airport Fund. The City's Airport Fund ended the year with a net position of $98.6 million, which was an increase of $1.7 million compared to the previous year. Operating revenues increased by $0.6 million for the year due to higher fuel sales and hangar leases, totaling $6.5 million. Operating expenses were $9.4 million which were $.50 million higher than the previous year as a result of the recognition of pension expense.

Solid Waste Fund. The City's Solid Waste Fund net position increased by $1.1 million. Operating revenues totaled $8.2 million, which was a $.60 million increase as compared to the previous year. Expenses were consistent with last year at $6.9 million.

Golf Course Fund. The Golf Course Fund had an operating loss of about $0.1 million. Revenues were approximately $0.1 million which was the contract fee. Expense was primarily city constructed maintenance improvements and depreciation totaling $0.18 million. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for expenses. Under the contract terms, the City of McKinney collects an amount equal to 8% of gross revenues.

Surface Water Drainage Fund. The Surface Water Drainage Fund operated with charges for services revenues exceeding expenses by $1.4 million. Charges for services increased from $2.7 million to $3.5 million as a result of rate increases in the City's surface water drainage fee structure.

General Fund Budgetary Highlights

The actual FY2015-16 expenditures were $109 million, $9.5 million less than the projected $118.5 million. This is attributed to a strict adherence to spending policies and closer monitoring of end-of-year budget projections. However, $5.4 million were unfinished projects and capital replacements that are anticipated to be re-appropriated in fiscal year 2017.

Actual revenues were $121.7 million, or $2.8 million more than the $118.9 million budget plan. Improved revenues are mainly a result of development related revenues such as engineering inspections, various licenses, and building permits exceeding budget expectations.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had $939 million invested in a broad range of capital assets, including land and buildings, roads, bridges, drainage systems, park facilities, and police and fire equipment. This amount represents a net increase (including additions and deductions) of $32 million over the prior fiscal year.

Capital assets, net of accumulated depreciation in thousands, for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business-type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Land	$ 32,487	$ 28,837	$ 30,431	$ 29,652	$ 62,918	$ 58,489
Works of art	18	-	-	-	18	-
Construction in progress	19,757	19,022	22,560	17,822	42,317	36,844
Buildings	93,583	97,822	29,118	28,862	122,701	126,684
Infrastructure	346,823	333,531	339,970	326,214	686,793	659,745
Machinery and equipment	18,772	20,595	5,140	4,234	23,912	24,829
Service animals	32	11	-	-	32	11
Total	$ 511,472	$ 499,818	$ 427,219	$ 406,784	$ 938,691	$ 906,602

Major capital improvement projects completed or in progress during the current fiscal year were:

Project	($ in Thousands)
Aquatic Center Construction (MCDC)	30,194
10mg Storage Tank (University)	7,530
Airport Parking Ramp Reconstruction	5,809
Hardin Elevated Storage Tank	5,455
Dam Rehab: NRCS Lake 2A	4,148
Parks Land Purchase 62.043 AC (SE Corner US380/Ridge)	3,509
Redbud Blvd. (Wilmeth/Bloomdale)	2,724
Sonntag Neighborhood Park	2,334
Lake Forest Drive Lanes 5 & 6 (Sh 121/Mckinney Ranch)	2,119
Airport Transient Hanger	1,727
Fire Station-Lake Forest/380	1,509
Virginia Parkway Lanes 5&6	1,474
Arterial Capacity Improvements (Community/Wilmeth)	1,353
Lake Forest Extension (Wilmeth/Bloomdale)	1,307
Traffic Signalization	1,038

Additional information about the City's capital assets is presented in *Note (3) D* to the financial statements at page 47-48.

Long-term Debt. At year end, the City had $348 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was $329 million at the end of the prior fiscal year. This represents an increase of 6%. All outstanding debt is summarized below:

	Governmental Activities		Business-type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
General obligation bonds, certificates of obligations and tax notes (backed by the City)	$ 268,256	$ 263,424	$ -	$ -	$ 268,256	$ 263,424
Revenue bonds (backed by fee revenues)	-	-	79,938	66,009	79,938	66,009
Totals	$ 268,256	$ 263,424	$ 79,938	$ 66,009	$ 348,194	$ 329,433

In 2016, the City received renewal of its General Obligation and Revenue bond ratings. Standard and Poor's, one of the nation's largest bond rating agencies, affirmed its AAA rating for General Obligation Bonds and AA+ rating for Water & Wastewater Revenue Bonds. Moody's Investors Service affirmed its Aa1 rating for General Obligation Bonds and Aa2 for Water & Wastewater Revenue Bonds.

Additional information on the long-term debt can be found in *Note (3)G* to the financial statements starting at page 50.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of McKinney, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for the business-type activities. The priority for fiscal year 2017 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2017 budget include:

- Balanced budget
- Property tax rate reduced to $0.5730 per $100 assessed value for tax year 2017
- Water and Wastewater rates increased 8% and 9% respectively
- Solid Waste Rates remained the same
- Increased funding for equipment and facilities improvements
- Added 38 full-time equivalent positions
- Total city budget $383.6 million including internal transfers

The property tax rate for fiscal year 2017 remained at $0.5830 per $100 assessed value. The over-65 homestead exemptions for elderly and disabled persons remained at fifty thousand dollars.

For fiscal year 2017, the water and wastewater (sewer) rates increase 8% and 9%, respectively, due to increased cost of service from the North Texas Municipal Water District. The monthly minimum residential water charge will increase from $13.74 to $14.30. The water volume rate will increase from $3.79 to $4.08 per thousand gallons. Residential and sprinkler/irrigation customers will be charged $5.10 per thousand gallons if the monthly consumption exceeds 20,000 gallons but less than 40,000 gallons; monthly consumption over 40,000 will be charged at $6.12 per thousand gallons. The monthly minimum wastewater rate will increase from $13.99 to $15.25. The wastewater volume rate will increase from $3.94 to $4.29 per thousand gallons of water used.

The Solid Waste Fund has a strong fund balance. The solid waste rate will remain the same for all customers. An average residential household solid waste rate is $15.36 per month. This includes refuse collection, disposal, and the single stream recycling program.

Requests For Information

The financial report is designed to provide a general overview of the City of McKinney's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of McKinney, 222 North Tennessee Street, McKinney, Texas 75069.

McKINNEY™
TEXAS
Unique by nature.SM

BASIC FINANCIAL STATEMENTS

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 222,047,950	$ 37,214,228	$ 259,262,178	$ 68,751,087
Investments	20,711,354	13,318,627	34,029,981	2,700,427
Receivables (net of allowance for uncollectables)	14,993,423	11,094,908	26,088,331	4,381,830
Internal balances	262,605	(262,605)	-	-
Due from other governments	797,406	-	797,406	-
Note receivable from component unit	-	2,423,840	2,423,840	-
Inventories	179,395	512,025	691,420	-
Prepaid items	1,367,786	84,790	1,452,576	68,931
Restricted:				
Cash and cash equivalents	4,433,369	49,135,520	53,568,889	1,600,636
Investments	-	17,016,739	17,016,739	-
Accrued interest receivable	-	103,646	103,646	-
Capital Assets:				
Nondepreciable	52,262,428	52,991,641	105,254,069	47,398,403
Depreciable (net)	459,209,624	374,227,240	833,436,864	2,164,040
Total assets	776,265,340	557,860,599	1,334,125,939	127,065,354
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge for refunding	1,568,620	305,195	1,873,815	-
Excess consideration provided for acquisition	-	5,928,782	5,928,782	-
Deferred pension contributions	5,948,797	767,919	6,716,716	109,214
Deferred pension experience losses	1,290,262	166,557	1,456,819	23,688
Deferred pension investment losses	9,436,180	1,218,097	10,654,277	173,241
Total deferred outflows of resources	18,243,859	8,386,550	26,630,409	306,143
LIABILITIES				
Accounts payable	4,701,942	3,026,353	7,728,295	1,806,953
Other accrued liabilities	14,710,613	1,539,507	16,250,120	1,286,899
Unearned revenue	1,756,469	-	1,756,469	1,665
Accrued interest payable	1,366,851	-	1,366,851	138,997
Deposits	928,883	3,341,731	4,270,614	-
Noncurrent liabilities				
Due within one year				
Note payable to primary government	-	-	-	799,921
Compensated absences	878,794	79,287	958,081	13,799
Bonds payable	20,827,939	4,810,000	25,637,939	2,015,000
Capital lease	284,211	-	284,211	-
Due in more than one year				
Note payable to primary government	-	-	-	1,623,919
Compensated absences	8,885,585	801,684	9,687,269	139,530
OPEB liability	1,283,712	-	1,283,712	-
Bonds payable	247,428,358	75,127,575	322,555,933	33,010,000
Capital lease	1,095,110	-	1,095,110	-
Net pension liability	38,446,817	4,963,014	43,409,831	705,850
Total liabilities	342,595,284	93,689,151	436,284,435	41,542,533
DEFERRED INFLOWS OF RESOURCES				
Deferred pension experience gains	1,147,975	148,190	1,296,165	21,076
Deferred pension changes of assumptions	3,466	-	3,466	-
Total deferred inflows of resources	1,151,441	148,190	1,299,631	21,076
NET POSITION				
Net investment in capital assets	320,331,134	370,316,179	690,647,313	14,462,846
Restricted for:				
Use of impact fees	-	8,407,115	8,407,115	-
Highways and streets	32,306,475	-	32,306,475	-
Debt service	3,894,517	4,338,428	8,232,945	1,600,636
Other capital projects	44,403,282	-	44,403,282	-
Public safety	614,384	-	614,384	-
Community development	4,110,258	-	4,110,258	-
Court	350,172	-	350,172	-
Library	203,093	-	203,093	-
Cultural and recreation	14,067	-	14,067	-
Grants	257,398	-	257,398	-
Unrestricted	44,277,694	89,348,086	133,625,780	69,744,406
Total net position	$ 450,762,474	$ 472,409,808	$ 923,172,282	$ 85,807,888

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 29,952,269	$ 4,327,862	$ 55,233	$ -
Police	29,047,393	2,033,877	739,184	-
Fire	25,631,075	3,346,928	8,897	106,304
Libraries	3,774,409	92,746	76,966	-
Development	10,222,464	10,637,402	724,643	-
Parks and recreation	12,526,997	1,048,658	406,834	7,846,348
Public works	40,143,368	-	-	40,275,158
Interest on long-term debt	9,020,305	-	-	-
Total governmental activities	160,318,280	21,487,473	2,011,757	48,227,810
Business-type Activities				
Water/Wastewater	69,073,537	70,527,096	-	26,487,894
Solid Waste	6,861,627	8,121,069	-	-
Golf Course	182,383	34,123	-	-
Surface Water Drainage	2,098,662	3,517,545	-	-
Airport	9,340,030	6,411,460	54,753	3,847,661
Total business-type activities	87,556,239	88,611,293	54,753	30,335,555
Total primary government	$ 247,874,519	$ 110,098,766	$ 2,066,510	$ 78,563,365
Component Units				
McKinney Economic Development Corp	$ 3,972,645	$ 20,325	$ -	$ -
McKinney Community Development Corp	6,488,116	-	-	-
McKinney Convention & Visitors Bureau	563,170	-	456,270	-
McKinney Main Street Corp	834,652	886,838	-	-
Total component units	$ 11,858,583	$ 907,163	$ 456,270	$ -

General Revenues
Property taxes
Sales taxes
Franchise taxes
Other taxes and fees
Unrestricted investment earnings
Miscellaneous
Transfers

Total general revenues and transfers

Change in Net Position

Net Position, beginning of year

Net Position, End of Year

The accompanying notes to the basic financial statements are an integral part of this statement.

Governmental Activities	Business-type Activities	Total	Component Units
$ (25,569,174)	$ -	$ (25,569,174)	$ -
(26,274,332)	-	(26,274,332)	-
(22,168,946)	-	(22,168,946)	-
(3,604,697)	-	(3,604,697)	-
1,139,581	-	1,139,581	-
(3,225,157)	-	(3,225,157)	-
131,790	-	131,790	-
(9,020,305)	-	(9,020,305)	-
(88,591,240)	-	(88,591,240)	-
-	27,941,453	27,941,453	-
-	1,259,442	1,259,442	-
-	(148,260)	(148,260)	-
-	1,418,883	1,418,883	-
-	973,844	973,844	-
-	31,445,362	31,445,362	-
$ (88,591,240)	$ 31,445,362	$ (57,145,878)	$ -
$ -	$ -	$ -	$ (3,952,320)
-	-	-	(6,488,116)
-	-	-	(106,900)
-	-	-	52,186
$ -	$ -	$ -	$ (10,495,150)
$ 90,581,621	$ -	$ 90,581,621	$ -
25,360,264	-	25,360,264	23,394,834
14,162,263	-	14,162,263	-
417,981	-	417,981	-
1,153,094	1,216,134	2,369,228	337,849
715,114	239,486	954,600	2,697
3,336,638	(3,336,638)	-	-
135,726,975	(1,881,018)	133,845,957	23,735,380
47,135,735	29,564,344	76,700,079	13,240,230
403,626,739	442,845,464	846,472,203	72,567,658
$ 450,762,474	$ 472,409,808	$ 923,172,282	$ 85,807,888

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 52,466,938	$ 3,855,958	$ 138,412,353	$ 21,813,492	$ 216,548,741
Investments	17,172,783	-	3,538,571	-	20,711,354
Receivables (net of allowance for uncollectibles):					
Delinquent property taxes	689,929	293,299	-	-	983,228
Accounts	2,444,966	-	24	65,281	2,510,271
Notes	3,250,050	-	-	-	3,250,050
Other taxes and fees	7,593,916	-	-	379,054	7,972,970
Accrued interest	82,469	-	3,631	-	86,100
Due from other funds	370,605	-	-	-	370,605
Due from other governments	60,940	-	613,450	123,016	797,406
Inventory	46,072	-	-	-	46,072
Prepaid items	1,253,144	-	-	92,305	1,345,449
Total assets	$ 85,431,812	$ 4,149,257	$ 142,568,029	$ 22,473,148	$ 254,622,246
LIABILITIES					
Accounts payable	$ 1,817,263	$ 9,575	$ 1,649,204	$ 132,790	$ 3,608,832
Other accrued liabilities	13,827,644	-	819,181	63,788	14,710,613
Deposits	928,883	-	-	-	928,883
Due to other funds	-	-	-	98,000	98,000
Unearned revenue	54,801	-	1,701,668	-	1,756,469
Total liabilities	16,628,591	9,575	4,170,053	294,578	21,102,797
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	3,197,192	245,165	-	-	3,442,357
Total deferred inflows of resources	3,197,192	245,165	-	-	3,442,357
FUND BALANCES					
NONSPENDABLE:					
Inventory	46,072	-	-	-	46,072
Prepaid items	1,253,144	-	-	92,305	1,345,449
RESTRICTED:					
Debt service	-	3,894,517	-	-	3,894,517
Street construction	-	-	65,976,278	-	65,976,278
Capital projects	-	-	72,421,698	16,887,065	89,308,763
Law enforcement	-	-	-	564,486	564,486
Courts	350,172	-	-	-	350,172
Fire	-	-	-	49,898	49,898
PEG	-	-	-	1,825,885	1,825,885
Library	-	-	-	203,093	203,093
Community housing	-	-	-	73,536	73,536
Parks	-	-	-	14,067	14,067
Hotel/Motel	-	-	-	2,210,837	2,210,837
Grants	-	-	-	257,398	257,398
ASSIGNED:					
OPEB	2,811,040	-	-	-	2,811,040
UNASSIGNED	61,145,601	-	-	-	61,145,601
Total fund balances	65,606,029	3,894,517	138,397,976	22,178,570	230,077,092
Total liabilities, deferred inflows of resources and fund balances	$ 85,431,812	$ 4,149,257	$ 142,568,029	$ 22,473,148	$ 254,622,246

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Fund balances of governmental funds		$ 230,077,092
Amounts reported for governmental activities in the statement of net position are different because:		
Receivables not measureable and available within 60 days of year-end, and therefore are unavailable in the fund financial statements.		3,442,357
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		511,341,574
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Employer contributions (GASB 68)	5,884,635	
Investment return difference (GASB 68)	9,334,402	
Experience difference, net (GASB 68)	140,752	
Change of assumptions (GASB 68)	(3,466)	
Deferred charge for refunding	1,568,620	16,924,943
Internal service funds are used by management to charge the costs of certain activities, including self-insurance, to appropriate function in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		8,971,373
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(1,366,851)
Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
General and certificates of obligation bonds and tax notes	(248,335,000)	
Bond premiums	(19,921,297)	
Capital leases	(1,379,321)	
Net pension liability	(38,032,129)	
Compensated absences	(9,676,555)	
OPEB liability	(1,283,712)	(318,628,014)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 450,762,474

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 63,437,519	$ 26,716,156	$ -	$ 516,972	$ 90,670,647
Sales and use taxes	22,172,572	-	-	3,187,692	25,360,264
Franchise fees	14,162,263	-	-	-	14,162,263
Other taxes and fees	-	-	-	417,981	417,981
Licenses and permits	11,484,965	-	-	-	11,484,965
Intergovernmental	818,258	-	2,607,208	823,914	4,249,380
Charges for services	6,406,978	-	-	1,534,510	7,941,488
Fines and forfeitures	1,912,878	-	-	148,142	2,061,020
Investment income	435,565	79,990	589,198	48,341	1,153,094
Contributions	449,464	-	12,641,469	26,425	13,117,358
Miscellaneous	433,414	-	257,714	23,986	715,114
Total revenues	121,713,876	26,796,146	16,095,589	6,727,963	171,333,574
EXPENDITURES					
Current:					
General government	21,939,787	-	249,649	1,577,068	23,766,504
Police	26,955,626	-	-	118,568	27,074,194
Fire	23,586,805	-	-	2,017	23,588,822
Libraries	3,353,164	-	-	26,676	3,379,840
Development	9,344,721	-	-	729,437	10,074,158
Parks and recreation	8,938,852	-	34,544	3,810	8,977,206
Public works	11,219,111	-	1,788,551	-	13,007,662
Debt Service:					
Principal retirement	352,929	16,100,000	-	-	16,452,929
Interest and fiscal charges	41,640	10,305,718	-	-	10,347,358
Capital expenditures:					
General government	496,874	-	-	563,509	1,060,383
Police	1,064,905	-	476,337	51,555	1,592,797
Fire	655,437	-	1,504,071	106,304	2,265,812
Development	21,649	-	223,433	-	245,082
Parks and recreation	259,396	-	6,604,174	-	6,863,570
Public works	767,526	-	7,430,258	-	8,197,784
Total expenditures	108,998,422	26,405,718	18,311,017	3,178,944	156,894,101
Excess (deficiency) of revenues over (under) expenditures	12,715,454	390,428	(2,215,428)	3,549,019	14,439,473
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	36,129,920	21,400,080	-	57,530,000
Deposit to bond refunding escrow account	-	(44,520,122)	-	-	(44,520,122)
Premium on issuance of debt	-	8,868,878	-	-	8,868,878
Issuance cost of long-term debt	-	(489,277)	-	-	(489,277)
Proceeds from sale of property	3,436,712	-	-	-	3,436,712
Transfers in	4,678,072	-	2,600,000	1,500,000	8,778,072
Transfers out	(4,713,513)	(321,679)	-	(200,000)	(5,235,192)
Total other financing sources (uses)	3,401,271	(332,280)	24,000,080	1,300,000	28,369,071
Net change in fund balances	16,116,725	58,148	21,784,652	4,849,019	42,808,544
Fund balances, beginning of year	49,489,304	3,836,369	116,613,324	17,329,551	187,268,548
Fund balances, end of year	$ 65,606,029	$ 3,894,517	$ 138,397,976	$ 22,178,570	$ 230,077,092

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
RECONCILIATON OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances – total governmental funds		$ 42,808,544
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		20,225,428
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.		32,872,829
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(37,840,429)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	16,100,000	
Capital lease	352,928	16,452,928
The issuance and refunding of long-term debt, such as bonds and capital leases, are shown as "Other Sources" and “Other Uses” in the governmental funds, but are shown on the statement of net position as debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:		
Issuance of long term-debt, net of refunding	(13,009,878)	
Recognition of premium on debt issuance	(8,868,878)	
Amortization of refunding loss	(286,778)	
Amortization of bond premium	2,111,708	(20,053,826)
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.		(2,244,990)
Current year change in long-term liability for compensated absences and OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(545,162)	
OPEB	(307,840)	(853,002)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		21,417
Internal service funds are used by management to share the costs of certain activities including self-insurance and fleet maintenance to individual funds.		469,267
In the governmental fund financial statements the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.		(3,603,814)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.		(1,118,617)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 47,135,735

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Property taxes	$ 63,211,609	$ 63,726,609	$ 63,437,519	$ (289,090)
Sales and use taxes	20,850,000	21,875,000	22,172,572	297,572
Franchise fees	13,694,000	13,966,000	14,162,263	196,263
Licenses and permits	8,000,000	9,285,000	11,484,965	2,199,965
Intergovernmental	862,500	764,025	818,258	54,233
Charges for services	4,839,350	5,840,799	6,406,978	566,179
Fines and forfeitures	1,945,200	1,870,850	1,912,878	42,028
Investment income	213,550	347,450	435,565	88,115
Contributions	484,900	479,900	449,464	(30,436)
Miscellaneous	302,500	764,500	433,414	(331,086)
Total revenues	114,403,609	118,920,133	121,713,876	2,793,743
EXPENDITURES				
General government	25,131,401	25,081,798	22,436,661	2,645,137
Police	28,863,220	28,676,408	28,020,531	655,877
Fire	26,551,392	26,534,507	24,636,811	1,897,696
Libraries	3,472,676	3,409,656	3,353,164	56,492
Development	9,672,790	10,051,847	9,366,370	685,477
Parks and recreation	9,552,288	9,849,014	9,198,248	650,766
Public works	12,491,707	14,950,080	11,986,637	2,963,443
Total expenditures	115,735,474	118,553,310	108,998,422	9,554,888
Excess (deficiency) of revenues over (under) expenditures	(1,331,865)	366,823	12,715,454	12,348,631
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	25,000	39,500	3,436,712	3,397,212
Transfers in	5,287,823	4,678,072	4,678,072	-
Transfers out	(613,513)	(4,713,513)	(4,713,513)	-
Total other financing sources (uses)	4,699,310	4,059	3,401,271	3,397,212
Net change in fund balance	3,367,445	370,882	16,116,725	15,745,843
Fund balance, beginning of year	49,489,304	49,489,304	49,489,304	-
Fund balance, end of year	$ 52,856,749	$ 49,860,186	$ 65,606,029	$ 15,745,843

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 21,411,509	$ 2,990,132	$ 12,812,587	$ 37,214,228	$ 9,932,578
Investments	10,964,613	-	2,354,014	13,318,627	-
Restricted assets:					
Cash and cash equivalents	45,792,563	3,317,957	25,000	49,135,520	-
Accrued interest receivable	-	-	4,728	4,728	-
Receivables (net of allowance for uncollectibles)	8,984,579	13,274	2,097,055	11,094,908	190,804
Due from other funds	13,950	-	-	13,950	-
Notes receivable - interfund	-	-	780,585	780,585	-
Notes receivable - component unit	-	-	2,423,840	2,423,840	-
Inventory	445,672	66,353	-	512,025	133,323
Prepaid items	2,346	80,874	1,570	84,790	22,337
Total current assets	87,615,232	6,468,590	20,499,379	114,583,201	10,279,042
Noncurrent assets:					
Restricted assets:					
Investments	17,016,739	-	-	17,016,739	-
Accrued interest receivable	98,918	-	-	98,918	-
Total restricted assets	17,115,657	-	-	17,115,657	-
Capital assets:					
Land	10,699,620	19,165,182	566,509	30,431,311	-
Buildings	11,981,745	25,014,893	1,663,564	38,660,202	-
Improvements other than buildings	383,388,253	59,770,427	3,185,545	446,344,225	-
Machinery and equipment	9,262,672	852,356	1,456,058	11,571,086	415,349
Construction in progress	16,625,798	5,934,532	-	22,560,330	-
Less accumulated depreciation	(94,304,459)	(23,676,345)	(4,367,469)	(122,348,273)	(284,871)
Total capital assets (net of accumulated depreciation)	337,653,629	87,061,045	2,504,207	427,218,881	130,478
Total noncurrent assets	354,769,286	87,061,045	2,504,207	444,334,538	130,478
TOTAL ASSETS	442,384,518	93,529,635	23,003,586	558,917,739	10,409,520
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension contributions	483,959	124,230	159,730	767,919	64,162
Deferred pension investment losses	767,672	197,061	253,364	1,218,097	101,778
Deferred pension experience losses	104,968	26,945	34,644	166,557	13,917
Deferred charge for refunding	305,195	-	-	305,195	-
Excess consideration provided for acquisition	-	5,928,782	-	5,928,782	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,661,794	6,277,018	447,738	8,386,550	179,857

(continued)

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (Continued)
SEPTEMBER 30, 2016

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	$ 2,483,100	$ 157,816	$ 138,179	$ 2,779,095	$ 1,066,838
Other accrued liabilities	475,485	57,782	830,717	1,363,984	26,272
Due to other funds	231,011	-	45,544	276,555	10,000
Note payable- interfund	-	-	49,640	49,640	-
Compensated absences	50,345	9,255	19,687	79,287	7,904
Accrued interest payable	127,656	-	-	127,656	-
Total current liabilities unrestricted	3,367,597	224,853	1,083,767	4,676,217	1,111,014
Liabilities (payable from restricted assets):					
Accounts payable	247,258	-	-	247,258	-
Revenue bonds payable, current	4,810,000	-	-	4,810,000	-
Other accrued liabilities	47,867	-	-	47,867	-
Deposits	3,246,100	85,631	10,000	3,341,731	-
Total current liabilities (payable from restricted assets)	8,351,225	85,631	10,000	8,446,856	-
Total current liabilities	11,718,822	310,484	1,093,767	13,123,073	1,111,014
Noncurrent liabilities:					
Net pension liability	3,127,802	802,904	1,032,308	4,963,014	414,688
Compensated absences	509,045	93,583	199,056	801,684	79,920
Note payable- interfund	-	-	730,945	730,945	-
Revenue bonds, certificates of obligation payable	75,127,575	-	-	75,127,575	-
Total noncurrent liabilities	78,764,422	896,487	1,962,309	81,623,218	494,608
TOTAL LIABILITIES	90,483,244	1,206,971	3,056,076	94,746,291	1,605,622
DEFERRED INFLOWS OF RESOURCES					
Deferred pension experience gains	93,392	23,974	30,824	148,190	12,382
NET POSITION					
Net investment in capital assets	280,750,927	87,061,045	2,504,207	370,316,179	130,478
Restricted for:					
Use of impact fees	8,407,115	-	-	8,407,115	-
Debt service	4,338,428	-	-	4,338,428	-
Unrestricted	59,973,206	11,514,663	17,860,217	89,348,086	8,840,895
TOTAL NET POSITION	$ 353,469,676	$ 98,575,708	$ 20,364,424	$ 472,409,808	$ 8,971,373

(concluded)

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities – Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 70,527,096	$ 6,411,460	$ 11,672,737	$ 88,611,293	$ 18,662,092
Intergovernmental	-	54,753	-	54,753	-
Miscellaneous	113,425	10,079	115,982	239,486	71,809
Total operating revenues	70,640,521	6,476,292	11,788,719	88,905,532	18,733,901
OPERATING EXPENSES					
Personnel services	6,737,244	2,065,365	2,250,491	11,053,100	973,671
Materials and supplies	710,941	2,047,385	68,646	2,826,972	-
Maintenance	4,099,193	445,400	204,231	4,748,824	-
Purchase of water	39,129,803	-	-	39,129,803	-
Contract payments	4,211,032	306,073	6,137,580	10,654,685	-
Utilities	845,990	148,890	6,777	1,001,657	-
Depreciation	8,876,536	3,922,306	226,313	13,025,155	16,506
Other	1,863,567	429,465	256,312	2,549,344	16,999,251
Total operating expenses	66,474,306	9,364,884	9,150,350	84,989,540	17,989,428
Operating income (loss)	4,166,215	(2,888,592)	2,638,369	3,915,992	744,473
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,073,499	15,575	127,060	1,216,134	43,320
Interest and fiscal charges	(2,617,947)	-	-	(2,617,947)	-
Amortization of deferred refunding amount	(43,814)	-	-	(43,814)	-
Gain (loss) from disposal of assets	62,530	24,854	7,678	95,062	-
Total nonoperating revenues (expenses)	(1,525,732)	40,429	134,738	(1,350,565)	43,320
Income (loss) before contributions and transfers	2,640,483	(2,848,163)	2,773,107	2,565,427	787,793
Contributions	26,487,894	3,847,661	-	30,335,555	-
Transfers in	66,376	682,178	131,236	879,790	146,984
Transfers out	(3,500,840)	-	(715,588)	(4,216,428)	(221,882)
Assumption of compensated absences liability	-	-	-	-	(48,949)
Assumption of pension	-	-	-	-	(194,679)
Change in net position	25,693,913	1,681,676	2,188,755	29,564,344	469,267
Net position, beginning of year	327,775,763	96,894,032	18,175,669	442,845,464	8,502,106
Net position, end of year	$ 353,469,676	$ 98,575,708	$ 20,364,424	$ 472,409,808	$ 8,971,373

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING ACTIVITIES					
Cash received from customers and users	$ 73,248,865	$ 6,421,631	$ 11,590,681	$ 91,261,177	$ 18,610,829
Other operating revenues	113,425	64,832	115,982	294,239	71,809
Cash payments to employees for services	(6,579,497)	(1,764,791)	(2,109,882)	(10,454,170)	(910,530)
Cash payments to suppliers for goods and services	(50,170,701)	(3,123,958)	(6,582,727)	(59,877,386)	(17,064,232)
Net cash provided by operating activities	16,612,092	1,597,714	3,014,054	21,223,860	707,876
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	17,668	613,513	131,236	762,417	10,000
Transfers to other funds	(3,500,840)	-	(715,588)	(4,216,428)	-
Net cash provided by (used for) noncapital financing activities	(3,483,172)	613,513	(584,352)	(3,454,011)	10,000
CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(4,785,000)	-	-	(4,785,000)	-
Issuance of bonds	19,164,222	-	-	19,164,222	-
Principal paid on loans	-	-	(48,786)	(48,786)	-
Payments received on loans to component units	-	-	792,001	792,001	-
Proceeds from advances	-	-	48,786	48,786	-
Interest and fiscal charges paid on debt	(3,336,116)	-	-	(3,336,116)	-
Acquisition and construction of capital assets	(1,829,191)	(1,998,489)	(22,478)	(3,850,158)	(221,882)
Proceeds (losses) from the sale of assets	-	24,854	(41,046)	(16,192)	-
Contributions	-	1,365,728	-	1,365,728	-
Net cash provided by (used for) capital and related financing activities	9,213,915	(607,907)	728,477	9,334,485	(221,882)
INVESTING ACTIVITIES					
Purchase of investments	(9,300,000)	-	(431,357)	(9,731,357)	-
Proceeds from sale and maturities of investments	4,067,039	-	-	4,067,039	-
Investment income	1,036,634	15,575	145,711	1,197,920	43,320
Net cash provided by (used for) investing activities	(4,196,327)	15,575	(285,646)	(4,466,398)	43,320
Net change in cash and cash equivalents	18,146,508	1,618,895	2,872,533	22,637,936	539,314
Cash and Cash Equivalents, Beginning of Year	49,057,564	4,689,194	9,965,054	63,711,812	9,393,264
Cash and Cash Equivalents, End of Year	$ 67,204,072	$ 6,308,089	$ 12,837,587	$ 86,349,748	$ 9,932,578
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and cash equivalents	$ 21,411,509	$ 2,990,132	$ 12,812,587	$ 37,214,228	$ 9,932,578
Restricted cash and cash equivalents	45,792,563	3,317,957	25,000	49,135,520	-
Total cash and cash equivalents	$ 67,204,072	$ 6,308,089	$ 12,837,587	$ 86,349,748	$ 9,932,578
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	$ 4,166,215	$ (2,888,592)	$ 2,638,369	$ 3,915,992	$ 744,473
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	8,876,536	3,922,308	226,313	13,025,157	16,506
Change in pension expense	143,705	290,116	77,137	510,958	24,266
Provision for uncollectibles	85,485	-	20,030	105,515	-
(Increases) decreases in assets:					
Accounts receivable	2,176,030	1,470	(102,087)	2,075,413	(51,263)
Prepaid expenses	(925)	274,626	(1,570)	272,131	(22,337)
Due from other governments	-	-	-	-	(133,323)
Inventory	(105,941)	5,221	-	(100,720)	-
Increases (decreases) in liabilities:					
Accounts payable	1,270,520	(41,806)	8,027	1,236,741	90,679
Accrued liabilities	(473,829)	15,212	84,362	(374,255)	-
Due to other funds	-	-	3,493	3,493	-
Deposits	460,254	8,701	-	468,955	-
Liability for accrued vacation	14,042	10,458	59,980	84,480	38,875
Total adjustments	12,445,877	4,486,306	375,685	17,307,868	(36,597)
Net cash provided by operating activities	$ 16,612,092	$ 1,597,714	$ 3,014,054	$ 21,223,860	$ 707,876

Noncash Investing and Financing Activities

The City recorded increases in capital assets of $26,554,270 and $2,550,598 related to capital contributions from internal and external sources for the Water and Wastewater and Airport Funds, respectively.

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2016

	Agency Fund
	BB Owen Park
ASSETS	
Cash and cash equivalents	$ 8,015,827
Total assets	$ 8,015,827
LIABILITIES	
Developer escrows	$ 8,015,827
Total liabilities	$ 8,015,827

The accompanying notes to the basic financial statements are an integral part of this statement.

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2016

	McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
ASSETS					
Cash and cash equivalents	$ 29,378,883	$ 39,006,535	$ 84,840	$ 280,829	$ 68,751,087
Investments	-	2,700,427	-	-	2,700,427
Receivables (net of allowance for uncollectibles)	2,178,230	2,179,917	253	23,430	4,381,830
Prepaid items	23,942	9,302	17,858	17,829	68,931
Restricted assets- cash and cash equivalents	1,600,636	-	-	-	1,600,636
Capital assets, non depreciable	15,007,272	32,391,131	-	-	47,398,403
Capital assets, net of accumulated depreciation	26,318	2,137,722	-	-	2,164,040
Total assets	48,215,281	78,425,034	102,951	322,088	127,065,354
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension contributions	69,624	19,114	20,476	-	109,214
Deferred investment loss	110,441	30,317	32,483	-	173,241
Deferred experience loss	15,101	4,145	4,442	-	23,688
Total deferred outflows of resources	195,166	53,576	57,401	-	306,143
LIABILITIES					
Accounts payable	32,058	1,663,811	6,279	104,805	1,806,953
Other accrued liabilities	30,232	1,246,518	10,149	-	1,286,899
Unearned revenue	-	-	-	1,665	1,665
Accrued interest payable	44,383	94,614	-	-	138,997
Noncurrent liabilities					
Due within one year					
Note payable to primary government	799,921	-	-	-	799,921
Compensated absences	5,989	2,995	4,815	-	13,799
Bonds payable	1,055,000	960,000	-	-	2,015,000
Due in more than one year					
Net pension liability	449,979	123,524	132,347	-	705,850
Note payable to primary government	1,623,919	-	-	-	1,623,919
Compensated absences	60,559	30,288	48,683	-	139,530
Bonds payable	10,655,000	22,355,000	-	-	33,010,000
Total Liabilities	14,757,040	26,476,750	202,273	106,470	41,542,533
DEFERRED INFLOWS OF RESOURCES					
Deferred pension experience gains	13,436	3,688	3,952	-	21,076
Total deferred inflows of resources	13,436	3,688	3,952	-	21,076
NET POSITION					
Net investment in capital assets	4,903,470	9,559,376	-	-	14,462,846
Restricted for debt service	1,600,636	-	-	-	1,600,636
Unrestricted	27,135,865	42,438,796	(45,873)	215,618	69,744,406
Total net position	$ 33,639,971	$ 51,998,172	$ (45,873)	$ 215,618	$ 85,807,888

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
McKinney Economic Development Corporation	$ 3,972,645	$ 20,325	$ -	$ -
McKinney Community Development Corporation	6,488,116	-	-	-
McKinney Convention & Visitors Bureau	563,170	-	456,270	-
McKinney Main Street Corporation	834,652	886,838	-	-
Total Component Units	$ 11,858,583	$ 907,163	$ 456,270	$ -

General revenues
Sales taxes
Investment income
Gain (loss) on sale of asset
Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Component Units				
McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
$ (3,952,320)	$ -	$ -	$ -	$ (3,952,320)
-	(6,488,116)	-	-	(6,488,116)
-	-	(106,900)	-	(106,900)
-	-	-	52,186	52,186
$ (3,952,320)	$ (6,488,116)	$ (106,900)	$ 52,186	$ (10,495,150)
$ 11,697,417	$ 11,697,417	$ -	$ -	$ 23,394,834
117,382	220,341	126	-	337,849
-	-	-	-	-
-	-	2,697	-	2,697
11,814,799	11,917,758	2,823	-	23,735,380
7,862,479	5,429,642	(104,077)	52,186	13,240,230
25,777,492	46,568,530	58,204	163,432	72,567,658
$ 33,639,971	$ 51,998,172	$ (45,873)	$ 215,618	$ 85,807,888

The accompanying notes to the basic financial statements are an integral part of this statement.

McKINNEY™
TEXAS
Unique by nature.SM

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of McKinney (the City) was incorporated in 1848. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and waterworks.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2016.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, budgetary comparison statements are presented that compare the original adopted and final amended budgets with actual results for adopted funds.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units have been combined and reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Combining statements for the four discretely presented component units have also been presented in the basic financial statements following the fund information.

The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the basic financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC, which is reported as a governmental fund. For more information about the MEDC, refer to Note 12.

The McKinney Community Development Corporation (MCDC) is a discretely presented component unit in the basic financial statements. The MCDC is governed by a seven-member board appointed by the City Council, and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC, which is reported as a governmental fund. For more information about the MCDC, refer to Note 13.

The McKinney Main Street (MMS) is a discretely presented component unit in the basic financial statements. The governing body of MMS is appointed by the City Council and the MMS's budget is subject to approval of the City Council. MMS budget is financed primarily by events held in the Downtown McKinney area. MMS is a separate legal entity from the City and its sole purpose is to promote McKinney's vibrant downtown area. MMS has a September 30 year-end.

MMS financial services are decentralized from the City. There are no separately issued financial statements of MMS. For more information about MMS, refer to Note 14.

The McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit in the basic financial statements. The governing body of the MCVB is appointed by the City Council and the MCVB's budget is subject to approval of the City Council. The MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB.

There are no separately issued financial statements of the MCVB. For more information about the MCVB, refer to Note 15.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service fund, and the capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund, airport fund, and other proprietary funds are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets.

Internal service funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments include providing risk financing and insurance-related activities and fleet maintenance.

All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, franchise fees, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Funds of the City:

a. **The General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

b. **The Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

c. **The Capital Projects Fund** consists of various types of financial resources and is utilized in the acquiring or constructing of capital infrastructure within the City. These include facilities, streets, stormwater drainage, utilities, public safety, parks and recreation centers.

Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

a. **The Water and Wastewater Fund** is used to account for the operations of the water and wastewater system.

b. **The Airport Fund** is used to account for the operations of the airport.

Other Proprietary Funds is a summarization of all of the nonmajor proprietary funds.

Two Internal Service Funds are used to account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The insurance claims self-funded program of the City is accounted for in the **Insurance and Risk Management Fund**. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the programs and data provided by actuarial consultants. Costs associated with maintenance of the City's operation and service vehicles are accounted for in the **Fleet Maintenance Fund**.

3. Agency Fund:

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

E. Cash and Cash Equivalents

Cash of all funds, excluding the City's payroll clearing account, law enforcement bank account, flexible spending account and certain escrow accounts, is pooled into a common interest earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments purchased with pooled cash, as well as separate investments, are recorded at cost and adjusted to fair value at year-end for securities with a maturity of one year or more from the date of investment. The fair value is based on the market price. The fair value of the local government investment pools is the same as the fair value of the pool shares. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.

Realized gains and losses on investments that have been held during more than one fiscal year, and sold in the current, were included as a change in the fair value of the investments reported in the prior year and the current year. Management's intent is to hold all investments to maturity.

F. Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are also classified as nonspendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. The City is not required to maintain a minimum level of inventory. Inventories in the Proprietary Funds consist of supplies and fuel and are recorded at the lower of cost or market.

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2016, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

G. Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts, and are reported as "due to/from other funds." Long-term advances between funds are reported as "advances to/from other funds" and represent the noncurrent portion of interfund loans.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Utility Capital Projects Fund is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Revenue Debt Service Fund is used to segregate resources accumulated for debt service payments over the next twelve months. The Revenue Bond Reserve Fund is used to report resources set aside to make up potential future deficiencies in the Revenue Debt Service Fund. The Revenue Bond Reserve Fund is required to reserve an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds.

Also included in the restricted assets are capital recovery fees that are, by law, restricted to the projects these funds may be used to support. The Utility Development Impact Fee Fund is used to segregate these resources and to account for the use of these funds.

Customer deposits received for water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Enterprise Fund.

The Utility Capital Projects Fund, Revenue Debt Service Fund, Revenue Bond Reserve Fund, and Utility Development Impact Fee Funds are included in the Water and Wastewater column on the proprietary funds statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (*e.g.*, roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2016, $349,194 was capitalized in the Water and Wastewater Enterprise Fund.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Building / Structures	10 - 50
Land Improvements	20
Water and Sewer System	50
Machinery and Equipment	3 - 15
Motor Vehicles	2 - 10
Traffic Signals	10 - 15
Parks	20
Service Animals	7 - 10
Storm Sewer	50
Streets	20

J. Compensated Absences

Vacation is earned in varying amounts up to a maximum of 200 hours per year for employees and 300 hours for fire shift personnel with 20 years or more of service. Unused vacation may be carried forward from one year to the next and is limited to 300 hours for employees and 450 hours for fire shift personnel. Sick leave is accrued by employees at a rate of 11.37 hours per month and by fire shift personnel at a rate of 15.4 hours per month.

Compensation for accrued sick leave is paid upon separation up to a maximum of 160 hours for employees (excluding fire and sworn police personnel) with 5 consecutive years of service. Qualifying fire personnel are eligible for varying amounts of sick leave up to a maximum of 1080 hours after 10 years of service. Qualifying sworn police personnel are eligible for varying amounts of sick leave up to a maximum of 770 hours after 10 years of service.

All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Deferred charge for refunding are amortized straight line over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is recorded as deferred outflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from the TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Allocations of pension items to the City's enterprise funds and component units are determined on the basis of employee payroll funding.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Excess consideration provided for acquisition – In November 2013, the City purchased the hangars, office building/terminal, miscellaneous furniture and fixture, and fixed base operations (FBO) from various related business entities at McKinney National Airport. This is the amount, net of amortization, which the City paid in excess of the fair value of the assets for the fixed base business operations. The deferred charges are being amortized over a period of 18 years.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- Difference in projected and actual experience (pensions) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized to pension expense over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension expense) until that time. The City has two types of items that qualify for reporting in this category in the government wide financial statements. The difference in expected and actual pension experience (pensions) and changes of assumptions (pensions) are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. In the fund financial statements, resources unavailable for revenue recognition are deferred and recognized as revenue when available.

N. Fund Equity

The City establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of the resources reported in governmental funds on accordance with GASB Statement No. 54. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources as approved by the City Council or by their designated body or official.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined and approved by formal action of the City Council, which is the highest level of decision making authority for the city. The same level of formal action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or the City Manager as defined in the Financial Policies.

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the General Fund. All fund balances are formally approved on an annual basis by the City Council.

O. Change in Accounting Principles

The City has adopted (early adopted GASB 82) and implemented the following GASB statements which have become effective for fiscal year 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*.

- This Statement requires disclosures to be made about fair value measurements of certain applicable assets and liabilities, the level of fair value hierarchy and valuation techniques.
- This Statement also added clarification to the term *investment*, to be defined as a security or other asset a government holds primarily for the purpose of income or profit, and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. No financial statement reclassifications were made as a result of implementation.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

- This statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and modifies GAAP hierarchy to include GASB Implementation Guides as authoritative guidance. Additionally, this statement emphasizes considerations under situations not specified in authoritative guidance and requires consideration of consistency with the GASB Concept Statements with nonauthoritative literature.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*.

- This statement clarifies that a *deviation*, as defined by the Actuarial Standards of Practice, issued by the Actuarial Standards Board, is not considered to be in conformity with the requirements of GASB Statements No. 67, No. 68 and No. 73 for the selection of assumptions used to measure the total pension liability and related measures. Additionally, this statement requires member contributions paid by the employer, to be excluded from employer contributions and from corresponding pension related deferred resources. GASB 82 also requires presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, to be included in required supplementary information.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. Each department submits to the City Manager a budget of estimated expenditures for the ensuing fiscal year no later than August 1. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance publication and after the first Monday in September.

Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2016, the total amendments to the original adopted budgeted amounts resulted in a $6,917,836 increase in budgeted General Fund expenditures and Transfers Out.

Budgets for the General Fund, Debt Service Fund, Capital Projects Fund, each nonmajor special revenue fund, and the nonmajor capital projects fund are legally adopted on a basis consistent with GAAP.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management.

(3) DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of September 30, 2016, consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	$ 259,262,178
Investments	34,029,981
Restricted cash and cash equivalents	53,568,889
Restricted investments	17,016,739
	$ 363,877,787
Cash on hand	$ 10,526
Deposits with financial institutions, excluding certificates of deposit	27,877,834
Investments	335,989,427
Total cash and investments	$ 363,877,787

The table below identifies the investment types that are authorized for the City by the Public Funds Investment Act. (Government Code Chapter 2256). The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City investment policy is designed to manage its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City policy has a weighted average maturity limit of 730 days.

As of September 30, 2016, the City had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
Certificates of deposit	$ 5,019,247	973
TexPool	23,126,109	44
TexPool Prime	29,759,457	48
LOGIC	92,231,443	45
TexasDaily	37,795,463	55
Texas CLASS	102,030,235	56
Federal Agency securities	40,359,467	969
Municipal securities	5,668,006	591
	$ 335,989,427	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy. The City's weighted average maturity on investment pools is one (1) day.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
Certificates of deposit	$ 5,019,247	AAA/AAA-m	AAA-m
TexPool	23,126,109	AAA/AAA-m	AAAm
TexPool Prime	29,759,457	AAA/AAA-m	AAAm
LOGIC	92,231,443	AAA/AAA-m	AAAm
TexasDaily	37,795,463	AAA/AAA-m	AAAm
Texas CLASS	102,030,235	AAA/AAA-m	AAAm
Federal Agency securities	40,359,467	AAA	AAA
Municipal securities	5,668,006	A	A
	$ 335,989,427		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2016, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares. In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

The City is invested in Texas Daily, a portfolio of the TexasTERM Local Government Investment Pool ("Pool") which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Cutwater Investor Services Corp. with Wells Fargo Bank Texas, NA as the Custodian. Texas CLASS is supervised by a Board of Trustees who are elected by the participants.

B. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2016, were 99.66% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2016 and the preceding year are as follows (amounts per $100 assessed value):

	2016	2015
General Fund	$ 0.40997	$ 0.41544
Debt Service	0.17303	0.16756
	$ 0.58300	$ 0.58300

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. The City operates under a Home Rule Charter which also imposes a limit of $2.50, but does not prescribe a legal debt limit. The 2016 ad valorem tax rate of $0.58300 is in compliance with the rate limitation.

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				
	General	Debt Service	Capital Projects	Nonmajor Funds	Total
Interest	$ 82,469	$ -	$ 3,631	$ -	$ 86,100
Taxes	8,283,845	293,299	-	379,054	8,956,198
Accounts	3,021,390	-	24	65,281	3,086,695
Notes	3,250,050	-	-	-	3,250,050
Other	60,940	-	613,450	123,016	797,406
Gross receivables	14,698,694	293,299	617,105	567,351	16,176,449
Allowance for uncollectible accounts	(576,424)	-	-	-	(576,424)
Net total receivables	$ 14,122,270	$ 293,299	$ 617,105	$ 567,351	$ 15,600,025

	Business-type Activities			
	Water Wastewater	Airport	Other Enterprise Funds	Total
Customer accounts	$ 10,480,919	$ 1,074	$ 2,382,444	$ 12,864,437
Other	-	12,200	-	12,200
Gross receivables	10,480,919	13,274	2,382,444	12,876,637
Allowance for uncollectible accounts	(1,496,340)	-	(285,389)	(1,781,729)
Net total receivables	$ 8,984,579	$ 13,274	$ 2,097,055	$ 11,094,908
Accrued interest receivable	$ 98,918	$ -	$ 4,728	$ 103,646

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2016. The water and wastewater fund also reported restricted interest receivables at year-end.

In February of 2009, MEDC negotiated two loans from the City to redeem their 2002 tax exempt revenue bonds achieving a savings of $289,790 in interest expenses. A promissory note in the amount of $4,000,000 was executed with the City. The note is for eight years with a 4% interest on outstanding balances. During 2013, the City Council authorized the transfer of this note to the solid waste fund. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2016, is $2,423,840.

D. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 28,836,946	$ 534,486	$ (1,225,698)	$ 4,341,437	$ 32,487,171
Works of art	-	18,000	-	-	18,000
Construction in progress	19,022,267	17,020,116	(989,429)	(15,295,698)	19,757,256
Total capital assets, not being depreciated	47,859,213	17,572,602	(2,215,127)	(10,954,261)	52,262,427
Capital assets being depreciated:					
Buildings	130,263,542	148,092	(1,990,903)	245,439	128,666,170
Infrastructure	654,651,886	32,461,087	(514,900)	10,640,157	697,238,230
Machinery and equipment	56,026,152	3,103,358	(2,711,239)	(137,577)	56,280,694
Service animals	32,200	35,000	(27,200)	-	40,000
Total capital assets being depreciated	840,973,780	35,747,537	(5,244,242)	10,748,019	882,225,094
Less accumulated depreciation for:					
Buildings	(32,441,143)	(3,664,894)	1,023,157	-	(35,082,880)
Infrastructure	(321,120,691)	(29,459,836)	164,899	-	(350,415,628)
Machinery and equipment	(35,430,834)	(4,726,163)	2,648,405	-	(37,508,592)
Service animals	(21,421)	(6,042)	19,094	-	(8,369)
Total accumulated depreciation	(389,014,089)	(37,856,935)	3,855,555	-	(423,015,469)
Total capital assets being depreciated, net	451,959,691	(2,109,398)	(1,388,687)	10,748,019	459,209,625
Governmental activities, capital assets, net	$ 499,818,904	$ 15,463,204	$ (3,603,814)	$ (206,242)	$ 511,472,052

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 29,651,765	$ -	$ (25,524)	$ 805,070	$ 30,431,311
Construction in progress	17,822,433	8,045,638	(219,925)	(3,087,816)	22,560,330
Total capital assets, not being depreciated	47,474,198	8,045,638	(245,449)	(2,282,746)	52,991,641
Capital assets being depreciated:					
Buildings	36,864,350	36,750	-	1,759,101	38,660,201
Infrastructure	422,339,761	23,412,154	-	592,310	446,344,225
Machinery and equipment	10,189,113	1,613,869	(369,472)	137,577	11,571,087
Total capital assets being depreciated	469,393,224	25,062,773	(369,472)	2,488,988	496,575,513
Less: accumulated depreciation for:					
Buildings	(8,002,847)	(1,539,662)	-	-	(9,542,509)
Infrastructure	(96,125,267)	(10,249,444)	-	-	(106,374,711)
Machinery and equipment	(5,954,619)	(842,982)	366,548	-	(6,431,053)
Total accumulated depreciation	(110,082,733)	(12,632,088)	366,548	-	(122,348,273)
Total capital assets being depreciated, net	359,310,491	12,430,685	(2,924)	2,488,988	374,227,240
Business-type activities capital assets, net	$ 406,784,689	$ 20,476,323	$ (248,373)	$ 206,242	$ 427,218,881

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 3,291,059
Police	1,368,012
Fire	1,941,913
Libraries	394,416
Development	119,877
Parks and recreation	3,529,243
Public works	27,195,909
Fleet maintenance	16,506
Total depreciation expense governmental activities	$ 37,856,935
Business Type-Activities:	
Water and Wastewater	$ 8,876,536
Airport	3,529,239
Solid Waste	35,652
Surface Water Drainage	22,792
Golf Course	167,869
Total depreciation expense business-type activities	12,632,088
Airport	
Amortization of excess cost of consideration	393,067
Total depreciation and amortization business-type activities	$ 13,025,155

Capital Improvement Program commitments

The City has active construction projects as of September 30, 2016. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library, and stormwater construction. The commitment for Governmental is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The Water and Wastewater, and Airport are being financed by revenue bonds, Certificate of Obligation Bonds, impact fees, developer contributions, and grants. The remaining commitment was expenditures not spent.

Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	$ 182,893,329	$ 49,468,084	$ 133,425,245
Water and Wastewater	53,255,028	18,039,081	35,215,947
Airport	11,389,055	7,634,530	3,754,525
Total	$ 247,537,412	$ 75,141,695	$ 172,395,717

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	$ 231,011	Franchise fee
General Fund	Fleet Maintenance Fund	10,000	To cover cash shortage
General Fund	Solid Waste	31,594	Sanitation accrual
General Fund	Nonmajor Governmental Funds	98,000	To cover cash shortage
Water/Wastewater Fund	Solid Waste	13,950	Sanitation accrual
		$ 384,555	

Transfers between funds during the year were as follows:

Transfer Out	Transfer In	Amount
General Fund	Nonmajor Governmental Funds	$ 4,100,000
General Fund	Airport	613,513
Water/Wastewater	General Fund	3,440,805
Water/Wastewater	Solid Waste	60,035
Golf Fund	General Fund	5,000
Surface Water Drainage	General Fund	264,696
Solid Waste	General Fund	445,892
Nonmajor Governmental Funds	General Fund	200,000
		$ 9,129,941

Transfers are used to:

- Move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.
- Move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts.
- Move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants program.
- Support monthly general and administrative fees which are expected to be paid from governmental activities.

The City's more significant transfers are listed below:

- Transfers of $4,156,393 were made from the enterprise funds to the general fund in order to support monthly general and administrative fees and capital replacements which are expected to be paid from governmental activities.
- Transfers of $2,600,000 were made from the general fund to the capital projects fund for streets improvements and fire station construction.
- Transfers of $1,500,000 were made from the general fund to fund capital improvements for technology.

The schedule above reflects cash transfers only. Detail of capital asset transfers can be found in Note 3D.

Note Receivable

In January 2010, City Council approved a loan from the solid waste fund to the golf course fund. The loan was issued in the amount of $800,000. In March 2011, City Council approved an increase to the existing loan of $261,000. The balance of the note as of September 30, 2016, is $780,585. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2030.

F. Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. Tax, court, EMS, and franchise fees which are reported as unavailable revenue in the governmental funds are recorded as revenue in the government-wide financial statements. Grant and miscellaneous revenues are reported as unearned in both the governmental fund and government-wide financial statements.

At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Unavailable Revenue	Unearned Revenue
Tax revenue	$ 574,190	$ 245,165	$ -	$ 819,355	$ -
Court revenue	1,177,858	-	-	1,177,858	-
EMS revenue	401,940	-	-	401,940	-
Franchise fees	1,043,204	-	-	1,043,204	-
Miscellaneous	54,801	-	-	-	54,801
Grants	-		1,701,668	-	1,701,668
	$ 3,251,993	$ 245,165	$ 1,701,668	$ 3,442,357	$ 1,756,469

G. Long-term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2016, is as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General obligation bonds	$ 179,210,000	$ 57,530,000	$ (46,455,000)	$ 190,285,000	$ 14,020,000
Certificates of obligation	66,140,000	-	(11,810,000)	54,330,000	2,790,000
Tax notes	4,910,000	-	(1,190,000)	3,720,000	1,215,000
	250,260,000	57,530,000	(59,455,000)	248,335,000	18,025,000
Issuance premium	13,164,127	8,868,878	(2,111,708)	19,921,297	2,802,939
Total bonds payable	263,424,127	66,398,878	(61,566,708)	268,256,297	20,827,939
Capital lease	1,732,249	-	(352,928)	1,379,321	284,211
OPEB liability	975,872	630,840	(323,000)	1,283,712	-
Net pension liability	26,832,065	11,614,752	-	38,446,817	-
Compensated absences	9,151,699	630,300	(17,620)	9,764,379	878,794
Governmental activity long-term debt	$ 302,116,012	$ 79,274,770	$ (62,260,256)	$ 319,130,526	$ 21,990,944
Business-type Activities:					
Bonds payable:					
Water and wastewater revenue bonds	$ 63,885,000	$ 29,225,000	$ (19,470,000)	$ 73,640,000	$ 4,810,000
Issuance premium	2,124,020	4,624,222	(450,667)	6,297,575	-
Total bonds payable	66,009,020	33,849,222	(19,920,667)	79,937,575	4,810,000
Net pension liability	3,245,579	1,717,435	-	4,963,014	-
Compensated absences	796,491	84,480	-	880,971	79,287
Business-type activity long-term debt	$ 70,051,090	$ 35,651,137	$ (19,920,667)	$ 85,781,560	$ 4,889,287

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued holiday, portion of sick leave, compensatory time and vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

General Obligation Bonds, Certificates of Obligation, and Tax Notes

The General Obligation Bonds include $248,335,000 of serial bonds, Certificates of Obligation, and tax notes with interest rates ranging from 0.23% to 5.50% maturing annually in varying amounts through 2035. Interest for these bonds is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes.

In June 2016, the City issued $57,530,000 of Series 2016, General Obligation Refunding and Improvement Bonds. The debt was issued to refund the Series 2006 Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, the Series 2006 General Obligation and Refunding Bonds, and the Series 2007 General Obligation Bonds. Net proceeds from the sale of bonds totaled $66,398,878. Of these proceeds, $44,520,122 was placed with an escrow agent to pay off the remaining principle and accrued interest in June 2016. The new obligations are payable over the next 19 years. The refunding resulted in a decrease in the City's debt service payments of $8,241,135 which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $6,840,831.

Debt service requirements of the general obligation bonds, certificates of obligation bonds, and tax notes for the years subsequent to September 30, 2016, are as follows:

	General Obligation Bonds			Certificates of Obligation		
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements
2017	$ 14,020,000	$ 8,676,734	$ 22,696,734	$ 2,790,000	$ 2,183,677	$ 4,973,677
2018	13,245,000	8,103,496	21,348,496	2,490,000	2,096,820	4,586,820
2019	13,850,000	7,510,384	21,360,384	2,400,000	2,019,474	4,419,474
2020	14,335,000	6,921,499	21,256,499	2,435,000	1,941,618	4,376,618
2021	14,760,000	6,255,724	21,015,724	2,630,000	1,858,804	4,488,804
2022-2026	65,565,000	20,679,358	86,244,358	16,105,000	7,646,481	23,751,481
2027-2031	34,345,000	8,792,066	43,137,066	19,790,000	3,474,517	23,264,517
2032-2035	20,165,000	2,303,270	22,468,270	5,690,000	657,132	6,347,132
	$ 190,285,000	$ 69,242,531	$ 259,527,531	$ 54,330,000	$ 21,878,523	$ 76,208,523

	Tax Notes			
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Total GO, CO, and Tax Notes Requirements
2017	$ 1,215,000	$ 74,400	$ 1,289,400	$ 28,959,811
2018	1,240,000	50,100	1,290,100	27,225,416
2019	1,265,000	25,300	1,290,300	27,070,158
2020	-	-	-	25,633,117
2021	-	-	-	25,504,528
2022-2026	-	-	-	109,995,839
2027-2031	-	-	-	66,401,583
2032-2035	-	-	-	28,815,402
	$ 3,720,000	$ 149,800	$ 3,869,800	$ 339,605,854

Proceeds of General Obligation Bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond elections. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures. The City Charter does not prescribe a debt limit.

Revenue Bonds

The revenue bonds are serial obligations with interest rates ranging from 1.50% to 5.50%, maturing annually in varying amounts through years 2036 and interest is payable semi-annually.

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the Water and Wastewater Fund. Gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with bond covenants. The City is in compliance with the revenue bond debt covenants as of September 30, 2016. Remaining revenues may then be used for any lawful purpose.

In June 2016, the City issued $29,225,000 of Series 2016, Waterworks and Sewer System Revenue Refunding Bonds. The debt was issued to refund the Series 2006 Waterworks and Sewer System Revenue & Refunding Bonds and the Series 2007 Waterworks and Sewer System Revenue Bonds. Net proceeds from the sale of bonds totaled $33,849,222. Of these proceeds, $15,022,245 was placed with an escrow agent to pay off the remaining principle and accrued interest in June 2016. The new obligations are payable over the next 20 years. The refunding resulted in a decrease in the City's debt service payments of $2,298,526 which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $2,068,244.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2016, are as follows:

	Revenue Bonds		
Fiscal Year	**Principal**	**Interest**	**Total**
2017	$ 4,810,000	$ 2,987,919	$ 7,797,919
2018	4,805,000	2,823,988	7,628,988
2019	4,850,000	2,644,094	7,494,094
2020	5,555,000	2,446,569	8,001,569
2021	5,645,000	2,227,213	7,872,213
2022-2026	28,165,000	7,336,841	35,501,841
2027-2031	12,420,000	2,506,019	14,926,019
2032-2036	7,390,000	626,125	8,016,125
	$ 73,640,000	$ 23,598,768	$ 97,238,768

Capital Leases

Debt service requirements of the City's capital leases for the years subsequent to September 30, 2016, are as follows:

Fiscal Year	**Principal Requirements**	**Interest Requirements**	**Total**
2017	$ 284,211	$ 37,468	$ 321,679
2018	291,914	29,765	321,679
2019	299,826	21,853	321,679
2020	307,953	13,726	321,679
2021	195,417	5,379	200,796
	$ 1,379,321	$ 108,191	$ 1,487,512

H. Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:			
Operating Fund	$ 3,269,127	$ 43,808	$ 3,312,935
Utility Capital Projects Fund	44,051,680	35,531	44,087,211
Utility Development Impact Fee	8,407,115	-	8,407,115
Revenue Debt Service Fund	2,757,548	-	2,757,548
Revenue Bond Reserve Fund	4,323,832	19,579	4,343,411
Airport Funds:			
Operating Fund	85,631	-	85,631
Airport Construction Fund	3,232,326	-	3,232,326
Surface Water Drainage Fund	15,000	-	15,000
Golf Course Fund	10,000	-	10,000
Solid Waste Fund	-	4,728	4,728
	$ 66,152,259	$ 103,646	$ 66,255,905

The ordinance authorizing the water and wastewater system revenue bonds requires that the City establish a fund, Revenue Bond Reserve Fund, to reserve an amount not less than the average annual requirement for the payment principal and interest on all the revenue bonds. At September 30, 2016, net position is sufficient to satisfy such bond ordinance requirements.

The ordinance further requires that the proceeds from the sale of revenue bonds be expended for certain capital improvements to the water and wastewater system. The proceeds are maintained as Restricted Assets – Utility Capital Projects Fund until such time as needed to fund the water and wastewater system construction program.

(4) DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is administered by the International City Management Association Retirement Corporation (ICMARC) and the other is administered by Nationwide. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, therefore it is not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

(5) PENSION PLAN

A. Plan Description

The City and three of its component units participate as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided:

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee Deposit Rate:	7.0%
Matching Ratio (City to employee):	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees covered by benefit terms:

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	255
Inactive employees entitled to but not yet receiving benefits	328
Active employees	881
Total	1,464

B. Contributions

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined; for the fiscal year ended September 30, 2016, the City made contributions of $9,396,707, or 15.35% of covered payroll.

C. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

D. Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% for the 2015 actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.65%
Real return	10.0%	4.03%
Real estate	10.0%	5.00%
Absolute return	10.0%	4.00%
Private equity	5.0%	8.00%
Total	100%	

E. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% rate and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 30, 2015	$ 205,867,325	$ 175,322,536	$ 30,544,789
Changes for the year:			
Service cost	11,440,134	-	11,440,134
Interest on total pension liability	14,599,379	-	14,599,379
Effect of difference in expected and actual experience	1,730,171	-	1,730,171
Effect of change in assumptions	(4,050)	-	(4,050)
Benefit payments	(6,049,662)	(6,049,662)	-
Administrative expenses	-	(157,574)	157,574
Member contributions	-	4,348,528	(4,348,528)
Net investment income	-	258,721	(258,721)
Employer contributions	-	9,752,849	(9,752,849)
Other	-	(7,782)	7,782
Balances as of September 30, 2016	$ 227,583,297	$ 183,467,616	$ 44,115,681
City	$ 223,941,969	$ 180,532,138	$ 43,409,831
Component Units	$ 3,641,328	$ 2,935,478	$ 705,850

F. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City and its component units, calculated using the discount rate of 6.75%, as well as what the City and its component unit's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 80,692,617	$ 43,409,831	$ 13,285,299
Component unit's net pension liability	1,312,073	705,850	216,021

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2016, the City and its component units recognized pension expense of $12,191,465 and $198,235, respectively.

At September 30, 2016, the City and its component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,480,507	$ (1,317,241)
Changes of assumptions	-	(3,466)
Differences between projected and actual investment earnings	10,827,518	-
Contributions subsequent to the measurement date through year-end	6,825,930	-
Total	$ 19,133,955	$ (1,320,707)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $6,716,716 and $109,214 will be recognized as a reduction of the net pension liability of the City and its component units, respectively, for the year ending September 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	
2017	$ 2,805,937
2018	2,805,937
2019	2,805,935
2020	2,400,461
2021	(2,312)
Thereafter	171,360
Total	$ 10,987,318

Supplemental Death Benefit Fund

The City contributes to a cost-sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net position available for postemployment benefits other than pension benefits (OPEB). The City's contributions to SDBF for the fiscal years ended September 30, 2016, 2015, and 2014, were $72,775, $76,574, and $68,697, respectively, which equaled the required contributions each year.

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary. The death benefit for retirees is considered an OPEB and is fixed amount of $7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the Pension Trust Fund.

(6) OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The City provides postemployment medical and dental benefits (OPEB) for eligible retirees, their spouses and dependents through a single-employer defined benefit plan, which covers both active and retired members.

All medical care benefits are provided through the City's self-insured health plan. The two optional benefit levels, CityCare PPO and CityCare Plus PPO, are the same for retirees as those afforded to active employees.

As of September 30, 2016, membership consisted of:

Retirees and beneficiaries receiving benefits	23
Terminated employees eligible for benefits, but not yet enrolled	4
Active employees	847
Total	874

B. Benefits Provided

To be eligible for coverage a retiree must qualify under all three of the following:

1. Has been covered as an employee for medical benefits under the City of McKinney Employee Healthcare Plan immediately prior to retirement; and

2. Applies for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than the effective date of retirement; and

3. Enrolls for Retiree health coverage no later than the effective date of retirement.

Retirees who elect COBRA cannot later elect retiree coverage. Retirees are not allowed to add additional dependents upon retirement. Retirees or dependents who are Medicare eligible may not remain on the Plan; however, retirees may elect to purchase a Medicare supplement offered by the City.

C. Accounting Policies

An irrevocable trust has not been established; therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

D. Funding Policy

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees.

The monthly Retiree health coverage contribution rates for offered benefit levels are as follows:

CITYCARE PPO			CITYCARE PLUS PPO		
Single Coverage	$	556	Single Coverage	$	618
Singe + Spouse	$	1,150	Singe + Spouse	$	1,368
Single + Children	$	1,015	Single + Children	$	1,198
Single + Family	$	1,477	Single + Family	$	1,745

E. Annual OPEB Cost

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over an open period of thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2016:

	2016	2015	2014
Annual required contribution	$ 648,340	$ 648,340	$ 415,996
Interest on prior year net OPEB obligation	43,914	35,908	37,221
Adjustment to annual required contribution	(61,414)	(50,227)	(52,064)
Annual OPEB cost	630,840	634,021	401,153
Contributions made	323,000	456,096	430,341
Increase (decrease) in net OPEB obligation	307,840	177,925	(29,188)
Net OPEB obligation, beginning of year	975,872	797,947	827,135
Net OPEB obligation, end of year	$ 1,283,712	$ 975,872	$ 797,947
Percentage of OPEB costs contributed	51.2%	71.9%	107.3%

Funded Status and Funding Progress:

The funded status of the plan as of actuarial measurement date of December 31, 2014, was as follows:

Actuarial accrued liability (AAL)	$ 4,970,650
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	$ 4,970,650
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll	$ 61,933,300
Unfunded actuarial accrued liability as a percentage of covered payroll	8.03%

Although not considered contributions under GASB 45, the City has assigned $2,811,040 of fund balance in the General Fund for funding of the OPEB liability.

F. Actuarial Methods and Assumptions

Projections of benefits are based on substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions use include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. The rate of inflation is assumed to be 3%.

(7) DISCLOSURES ABOUT FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexPool, LOGIC, TexasDAILY and Texas CLASS. Investments in the pools are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pools. The fair value of the position of the pools for LOGIC, TexasDAILY and Texas CLASS are measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost as the pool meets requirements of GASB No. 79. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2016:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Federal agency securities	$ 40,359,467	$ -	$ 40,359,467	$ -
Municipal bonds	5,668,006	-	5,668,006	-
Total investments by fair value level	46,027,473	$ -	$ 46,027,473	$ -
Investments measured at net asset value				
LOGIC	$ 92,231,443			
TexasDAILY	37,795,463			
Texas CLASS	102,030,235			
	232,057,141			
Investment measured at amortized cost	52,885,566			
Non-negotiable certificates of deposit	5,019,247			
Total investments	$ 335,989,427			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Nonrecurring Measurements

The City also has nonrecurring fair value measurements as of September 30, 2016 for developer capital contributions which are based on the fair market value as provided by the developers (Level 3 inputs). Contributions for Governmental Activities and Water and Wastewater totaled $32,872,829 and $23,412,156, respectively.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2016, no investments held by the City met the Level 3 hierarchy classification.

(8) WATER PURCHASE, WASTEWATER AND SOLID WASTE DISPOSAL CONTRACTS

The City has a contract with the North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2016, were $23,496,122.

The City has a contract with NTMWD whereby NTMWD agreed to provide a wastewater treatment and disposal system for the benefit of the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2016, was $15,633,681.

The City has a contract with NTMWD whereby NTMWD agreed to dispose of solid waste for the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2016, was $4,958,918.

(9) LITIGATION

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

(10) CONTINGENT LIABILITIES

The City participates in a number of Federal and State funded grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NTMWD has issued revenue bonds for systems that service participating cities. Member cities including McKinney have pledged (guaranteed) to pay their share of debt service, and certain related administrative costs. NTMWD allocates these costs annually based on each city's pro-rata usage of the respective systems.

Outstanding principal balances as of September 30, 2016, are as follows:

	NTMWD Debt Service *	McKinney's Allocated Share
Water System	$ 1,188,980,000	$ 128,571,541
Wastewater System	345,045,000	74,443,056
Solid Waste System	48,910,000	10,403,646
Total	$ 1,582,935,000	$ 213,418,243

* Only represents NTMWD debt service related to systems servicing McKinney. It may not reflect NTMWD's total debt service.

(11) INSURANCE AND RISK MANAGEMENT

The City's Insurance and Risk Management Internal Service Fund accounts for health care claims, workers' compensation claims, property, and general liability claims.

The City provides health care benefits to City employees under a partially self-insured plan (the "Plan"). Under the Plan, the City and the employees pay a predetermined monthly premium, which is based on the projected claims cost for the Plan and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the Insurance and Risk Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess ("stop loss") insurance policy covering individual claims in excess of $150,000. The City utilizes the Allegiance as a third party administrator to adjudicate and pay medical claims on behalf of the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City for claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2016, the City and the City's employees' contributions paid under the Plan were $12,112,679 and $2,172,163 respectively.

The City participates in the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") for workers' compensation claims, liability (general, automobile, law enforcement, and errors/omissions), and property insurance. The Insurance and Risk Management internal service fund allocates costs to each department in order to pay deductibles and workers' compensation premium costs (TMLIRP contributions). This cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience.

The City has a workers' compensation deductible of $100,000 per accident, with an annual aggregate retention of $675,000. During 2016, the City contributed $175,774 for workers' compensation coverage.

The City maintains deductibles of $25,000 per occurrence for property, up to $25,000 per occurrence for crime, $25,000 for law enforcement liability, and $50,000 for all other liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. The City also carries a liability policy for the Airport through STARR Companies with a $10,000 deductible. During 2016, the City contributed $486,904 for property and general liability coverage.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, amended by GASB No. 66, Technical Corrections, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims.

The changes in the Insurance and Risk Management liability amount in fiscal 2016 and 2015 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2016:				
Health Claims	$ 507,702	$ 11,647,243	$ (11,602,402)	$ 552,543
Workers' Comp	219,150	757,248	(637,668)	338,730
Total	$ 726,852	$ 12,404,491	$ (12,240,070)	$ 891,273

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2015:				
Health Claims	$ 613,461	$ 9,715,403	$ (9,821,162)	$ 507,702
Workers' Comp	251,292	783,459	(815,601)	219,150
Total	$ 864,753	$ 10,498,862	$ (10,636,763)	$ 726,852

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years.

(12) MCKINNEY ECONOMIC DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement 61, MEDC is a discretely presented component unit of the City. The MEDC is financed with a voter approved half-cent city sales tax, to aid, promote and further the economic development within the City. Under a contract between the MEDC and the City, the City provides financial services for the MEDC.

A. Deposits and Investments

Cash and investments as of September 30, 2016, consist of and are classified in the accompanying financial statements as follows:

Statement of net position	
Cash and cash equivalents	$ 29,378,883
Restricted cash and cash equivalents	1,600,636
	$ 30,979,519
Cash on hand	$ 200
Deposits with financial institution	1,845,367
Investments	29,133,952
Total cash and investments	$ 30,979,519

The table below identifies the investment types that are authorized for MEDC by the Public Funds Investment Act (Government Code Chapter 2256). The table also identifies certain provisions of MEDC's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MEDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The MEDC is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the City's investment policy MEDC manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk.

MEDC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2016, MEDC had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
LOGIC	$ 7,438,412	45
TexPool	2,515,761	44
TexPool Prime	8,539,762	48
TexasDaily	4,527,911	55
Texas CLASS	6,112,106	56
	$ 29,133,952	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy. The City's weighted average maturity on investment pools is one (1) day.

As of September 30, 2016, MEDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, MEDC's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
LOGIC	$ 7,438,412	AAA/AAA-m	AAAm
TexPool	2,515,761	AAA/AAA-m	AAAm
TexPool Prime	8,539,762	AAA/AAA-m	AAAm
TexasDaily	4,527,911	AAA/AAA-m	AAAm
Texas CLASS	6,112,106	AAA/AAA-m	AAAm
Total fair value	$ 29,133,952		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the MEDC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2016, MEDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

Investment in State Investment Pools

During the year, MEDC invested in multiple public fund investment pools, including TexPool, LOGIC, TexasDAILY and Texas CLASS. Investments in the pools are not categorized in accordance with GASB Statement No. 3 disclosure requirements since MEDC has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pools. The fair value of the position of the pools for LOGIC, TexasDAILY and Texas CLASS are measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost as the pool meets requirements of GASB No. 79. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

B. Receivables

At September 30, 2016, accounts and notes receivable on the Statement of Net Position represent amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions would be met by the corporations the City has elected to expense the advance at the time of transfer.

At September 30, 2016, accounts receivable includes $2,177,970 representing sales tax owed to MEDC and other receivables of $260. Receivables as of year-end for MEDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2016.

C. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component unit activities					
Capital assets not being depreciated:					
Land	$ 15,007,272	$ -	$ -	$ -	$ 15,007,272
Total capital assets, not being depreciated	15,007,272	-	-	-	15,007,272
Capital assets being depreciated:					
Improvements other than buildings	257,783	-	-	-	257,783
Machinery and equipment	28,231	-	-	-	28,231
Total capital assets being depreciated	286,014	-	-	-	286,014
Less: accumulated depreciation for:					
Improvements other than buildings	(220,190)	(12,889)	-	-	(233,079)
Machinery and equipment	(25,540)	(1,077)	-	-	(26,617)
Total accumulated depreciation	(245,730)	(13,966)	-	-	(259,696)
Total capital assets being depreciated, net	40,284	(13,966)	-	-	26,318
Capital assets, net	$ 15,047,556	$ (13,966)	$ -	$ -	$ 15,033,590

D. Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Sales tax revenue bonds	$ 12,720,000	$ -	$ (1,010,000)	$ 11,710,000	$ 1,055,000
Note payable to primary government	3,215,841	-	(792,001)	2,423,840	799,921
Net pension liability	285,026	164,953	-	449,979	-
Compensated absences	38,359	28,189	-	66,548	5,989
Component unit activities:					
Long-term debt	$ 16,259,226	$ 193,142	$ (1,802,001)	$ 14,650,367	$ 1,860,910

Bonds Payable consisted of the following as of September 30, 2016:

	Issue Date	Interest Rate	Maturity Date	Amount Outstanding
Bonds Payable:				
Sales Tax Revenue Bonds 2011, Tax Exempt 2011	2/1/2011	2.5-4.38%	9/1/2025	$ 4,800,000
Sales Tax Revenue Bonds 2011, Taxable 2011	2/1/2011	4-5.6%	9/1/2025	6,910,000
Total bonds payable				$ 11,710,000

Debt service requirements applicable to the Sales Tax Revenue 2011 and Sales Tax 2011, Taxable bonds for the years subsequent to September 30, 2016, are as follows:

	Sales Tax Revenue 2011 Bonds			Sales Tax Revenue 2011 Taxable Bonds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2017	$ 450,000	$ 184,962	$ 634,962	$ 605,000	$ 341,765	$ 946,765
2018	470,000	171,463	641,463	635,000	317,565	952,565
2019	490,000	157,362	647,362	665,000	291,213	956,213
2020	500,000	140,213	640,213	715,000	261,953	976,953
2021	525,000	120,213	645,213	755,000	229,062	984,062
2022-2025	2,365,000	257,700	2,622,700	3,535,000	500,115	4,035,115
	$ 4,800,000	$ 1,031,913	$ 5,831,913	$ 6,910,000	$ 1,941,673	$ 8,851,673

E. Notes Payable to Primary Government

Notes Payable to Primary Government consisted of Tax Exempt 2002 Bonds.

In February of 2009, the MEDC negotiated a loan from the City of McKinney. Proceeds were used to redeem their 2002 Tax-Exempt and Taxable revenue bonds achieving a savings of $587,685 in interest expenses. Two promissory notes, in the amount of $4,000,000 for the Tax-Exempt 2002 bonds, and $7,070,000 for the Taxable 2002 bonds, were executed on February 27, 2009. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2016, is $2,423,840.

Debt service requirements of the notes payable applicable to the Tax Exempt 2002 bonds for the years subsequent to September 30, 2016, are as follows:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2017	$ 799,921	$ 24,238	$ 824,159
2018	807,920	16,239	824,159
2019	815,999	8,160	824,159
	$ 2,423,840	$ 48,637	$ 2,472,477

F. Pension Plan

MEDC, along with the City, participates in TMRS (note 5). MEDC's contributions to the plan and its pension expense for the year ended September 30, 2016 were $76,172 and $126,375, respectively.

(13) MCKINNEY COMMUNITY DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, The *Financial Reporting Entity*, as amended by GASB Statement 61, MCDC is a discretely presented component unit of the City. In January 1996, the citizens of McKinney elected to adopt an additional half-cent sales tax in accordance with Sec. 4B Art. 5190.6 of Vernon's Texas Civil Statutes. This revenue source will be used to fund various public facilities and infrastructure including but not limited to parks, cultural and civic facilities, sports facilities, and historic preservation and tourism facilities. Under a contract between the MCDC and the City, the City provides financial services for the MCDC.

A. Deposits and Investments

Cash and investments as of September 30, 2016, consist of and are classified in the accompanying financial statements as follows:

Statement of net position	
Cash and cash equivalents	$ 39,006,535
Investments	2,700,427
	$ 41,706,962
Cash on hand	$ 200
Deposits with financial institution	315,791
Investments	41,390,971
Total cash and investments	$ 41,706,962

The table below identifies the investment types that are authorized for MCDC by the Public Funds Investment Act (Government Code Chapter 2256). The table also identifies certain provisions of MCDC's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MCDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The MCDC is in substantial compliance with the requirements of the Act and with local policies.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

According to the City's investment policy MCDC manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. MCDC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2016, MCDC had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
TexPool	$ 4,653,150	44
TexPool Prime	11,055,764	48
LOGIC	7,872,407	45
TexasDaily	13,059,072	55
Texas CLASS	2,050,151	56
Federal agency securities	2,700,427	892
	$ 41,390,971	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy. The City's weighted average maturity on investment pools is one (1) day.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, MCDC's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
TexPool	$ 4,653,150	AAA/AAA-m	AAAm
TexPool Prime	11,055,764	AAA/AAA-m	AAAm
LOGIC	7,872,407	AAA/AAA-m	AAAm
TexasDaily	13,059,072	AAA/AAA-m	AAAm
Texas CLASS	2,050,151	AAA	AAAm
Federal agency securities	2,700,427	AAA	AAA
	$ 41,390,971		

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the MCDC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2016, MCDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. Receivables

At September 30, 2016, accounts receivable include $2,177,970 representing sales tax owed to MCDC, accrued interest of $1,810, and other accrued receivables of $137. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2016.

C. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 4,970,062	$ -	$ -	$ -	$ 4,970,062
Construction in progress	2,318,116	25,102,953	-	-	27,421,069
Total capital assets, not being depreciated	7,288,178	25,102,953	-	-	32,391,131
Capital assets being depreciated:					
Infrastructure	2,823,107	-	-	-	2,823,107
Total capital assets being depreciated	2,823,107	-	-	-	2,823,107
Less: accumulated depreciation for:					
Infrastructure	(543,502)	(141,883)	-	-	(685,385)
Total accumulated depreciation	(543,502)	(141,883)	-	-	(685,385)
Total capital assets, being depreciated, net	2,279,605	(141,883)	-	-	2,137,722
Capital assets, net	$ 9,567,783	$ 24,961,070	$ -	$ -	$ 34,528,853

Capital Improvement Program Commitments:

MCDC has an outstanding commitment for the construction of the McKinney Aquatic and Fitness Center. This project is being financed by Sales Tax Revenue Bonds. At completion of the project, MCDC will donate the Center to the City. The commitment for construction in progress as of September 30, 2016 is:

Project Budget Appropriation	Spent-to-date	Remaining Commitment
$ 33,101,223	$ 27,421,069	$ 5,680,154

D. Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Sales tax revenue bonds	$ 24,270,000	$ -	$ (955,000)	$ 23,315,000	$ 960,000
Net pension liability	89,912	33,612	-	123,524	-
Compensated absences	25,852	7,431	-	33,283	2,995
Component unit activities:					
Long-term debt	$ 24,385,764	$ 41,043	$ (955,000)	$ 23,471,807	$ 962,995

Bonds Payable consisted of the following as of September 30, 2016:

	Issue Date	Interest Rate	Maturity Date	Amount Outstanding
Bonds payable:				
Sales Tax Revenue Bonds 2015, Taxable	2/25/2015	.75 - 4.12%	8/15/2035	$ 23,315,000

Debt service requirements of the notes payable applicable to the Sales Tax Revenue 2015, Taxable bonds for the years subsequent to September 30, 2016, are as follows:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2017	$ 960,000	$ 756,916	$ 1,716,916
2018	975,000	745,876	1,720,876
2019	990,000	730,792	1,720,792
2020	1,010,000	711,230	1,721,230
2021	1,030,000	688,848	1,718,848
2022-2026	5,580,000	3,015,219	8,595,219
2027-2031	6,545,000	2,048,138	8,593,138
2032-2035	6,225,000	654,320	6,879,320
	$ 23,315,000	$ 9,351,339	$ 32,666,339

E. Pension Plan

MCDC, along with the City, participates in TMRS (note 5). MCDC's contributions to the plan and its pension expense for the year ended September 30, 2016 were $19,043 and $34,691, respectively.

F. DISCLOSURES ABOUT FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investment in State Investment Pools

During the year, MCDC invested in multiple public fund investment pools, including TexPool, LOGIC, TexasDAILY and Texas CLASS. Investments in the pools are not categorized in accordance with GASB Statement No. 3 disclosure requirements since MCDC has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pools. The fair value of the position of the pools for LOGIC, TexasDAILY and Texas CLASS are measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost as the pool meets requirements of GASB No. 79. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2016:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Federal agency securities	$ 2,700,427	$ -	$ 2,700,427	$ -
Investments measured at net asset value				
LOGIC	7,872,407			
TexasDAILY	13,059,072			
Texas CLASS	2,050,151			
	22,981,630			
Investment measured at amortized cost	15,708,914			
Total investments	$ 41,390,971			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2016, no investments here held by MCDC meeting the Level 3 hierarchy classification.

(14) MCKINNEY MAIN STREET

In accordance with GASB Statement No. 14, The *Financial Reporting Entity*, as amended by GASB Statement 61, McKinney Main Street (MMS) is a discretely presented component unit of the City. The purpose of MMS is to promote McKinney's vibrant downtown area. MMS financial services are decentralized from the City.

A. Deposits

Deposits as of September 30, 2016, consist of and are classified in the accompanying financial statements as follows:

Statement of net position	
Cash and cash equivalents	$ 280,829
Deposits with financial institution	$ 280,829

As of September 30, 2016, MMS deposits with financial institutions in excess of federal depository insurance limits were fully collateralized and MMS had no investments.

B. Receivables

At September 30, 2016, accounts receivable include $23,430 for services provided. Receivables as of year-end for MMS were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2016.

(15) MCKINNEY CONVENTION & VISITORS BUREAU

In accordance with GASB Statement No. 14, The *Financial Reporting Entity*, as amended by GASB Statement 61, the McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit of the City. The purpose of the MCVB is to promote tourism and make McKinney a destination of choice. Under a contract with the MCVB, the City performs financial services for the MCVB.

A. Deposits and Investments

Cash and investments as of September 30, 2016, consist of and are classified in the accompanying financial statements as follows:

Statement of net position	
Cash and cash equivalents	$ 84,840
Deposits with financial institution	$ 84,840

The table below identifies the investment types that are authorized for MCVB by the Public Funds Investment Act (Government code Chapter 2256). The table also identifies certain provisions of MCVB's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

The Act also requires MCVB to have independent auditors perform test procedures related to investment practices as provided by the Act. The MCVB is in substantial compliance with the requirements of the Act and with local policies.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury obligations	5 years	80%	None
U. S. Agencies securities	5 years	80%	None
Certificates of deposits	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the City's investment policy MCVB manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. MCVB monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2016, MCVB had no investments.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the MCVB's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2016, MCVB deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net pension liability	$ 92,207	$ 40,140	$ -	$ 132,347	$ -
Compensated absences	48,230	5,268	-	53,498	4,815
Component unit activities:					
Long-term debt	$ 140,437	$ 45,408	$ -	$ 185,845	$ 4,815

C. Pension Plan

MCVB, along with the City, participates in TMRS (note 5). MCVB's contributions to the plan and its pension expense for the year ended September 30, 2016 were $29,516 and $37,169, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
(UNAUDITED)

	Measurement Year 2014	Measurement Year 2015
Total pension liability:		
Service cost	$ 9,534,719	$ 11,440,134
Interest	13,426,027	14,599,379
Changes of benefit terms	-	-
Difference between expected and actual experience	(1,820,025)	1,730,171
Change in assumptions	-	(4,050)
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)
Net change in total pension liability	16,527,934	21,715,972
Total pension liability - beginning	189,339,391	205,867,325
Total pension liability - ending (a)	205,867,325	227,583,297
Plan fiduciary net position:		
Contributions - employer	8,510,170	9,752,849
Contributions - employee	3,855,271	4,348,528
Net investment income	9,074,467	258,721
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)
Administrative expense	(94,724)	(157,574)
Other	(7,788)	(7,782)
Net change in plan fiduciary net position	16,724,609	8,145,080
Plan fiduciary net position - beginning	158,597,927	175,322,536
Plan fiduciary net position - ending (b)	175,322,536	183,467,616
City's net pension liability - ending (a) - (b)	$ 30,544,789	$ 44,115,681
Plan fiduciary net position as a percentage of total pension liability	85.16%	80.62%
Covered employee payroll	$ 54,810,138	$ 61,939,002
City's net pension liability as a percentage of covered employee payroll	55.73%	71.22%

Other Information:
The discount rate changed from 7.00% to 6.75% for the 2015 valuation; there were no other changes in assumptions.

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
(UNAUDITED)

	Fiscal Year 2015	Fiscal Year 2016
Actuarially determined contribution	$ 9,195,319	$ 9,521,438
Contribution in relation of the actuarially determined contribution	9,195,319	9,521,438
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 58,299,396	$ 62,005,210
Contributions as a percentage of covered employee payroll	15.77%	15.36%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MCKINNEY EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS PLAN
ANALYSIS OF FUNDING PROGRESS
(UNAUDITED)

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded AAL (UAAL)	Funded Ratio as a Percentage	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$ -	$ 1,186,584	$ 1,186,584	0.0%	$ 42,109,757	2.8%
2009	-	1,186,584	1,186,584	0.0%	47,208,569	2.5%
2010	-	1,186,584	1,186,584	0.0%	48,030,872	2.5%
2011	-	3,102,107	3,102,107	0.0%	48,533,150	6.4%
2012	-	3,102,107	3,102,107	0.0%	47,490,271	6.5%
2013	-	3,284,588	3,284,588	0.0%	47,463,682	6.9%
2014	-	3,284,588	3,284,588	0.0%	50,864,494	6.5%
2015	-	4,970,650	4,970,650	0.0%	54,810,088	9.1%
2016	-	4,970,650	4,970,650	0.0%	61,933,300	8.0%

McKINNEY™
TEXAS
Unique by nature.SM

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget-Positive(Negative)
REVENUES				
Property tax	$ 26,300,405	$ 26,668,405	$ 26,716,156	$ 47,751
Charges for services	588,000	-	-	-
Investment income	27,000	80,000	79,990	(10)
Total revenues	26,915,405	26,748,405	26,796,146	47,741
EXPENDITURES				
Principal retirement	15,380,000	16,100,000	16,100,000	-
Interest and fiscal charges	10,927,657	10,797,418	10,316,319	(481,099)
Total expenditures	26,307,657	26,897,418	26,416,319	(481,099)
Excess (deficiency) of revenues over (under) expenditures	607,748	(149,013)	379,827	528,840
Net change in fund balance	607,748	(149,013)	58,148	207,161
Fund Balance, Beginning of Year	3,836,369	3,836,369	3,836,369	-
Fund Balance, End of Year	$ 4,444,117	$ 3,687,356	$ 3,894,517	$ 207,161

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 4,441,944	$ 25,155,683	$ 2,607,208	$ (22,548,475)
Contributions	8,700,000	17,866,631	12,641,469	(5,225,162)
Investment income	81,400	378,000	589,198	211,198
Miscellaneous	-	-	257,714	257,714
Total revenues	13,223,344	43,400,314	16,095,589	(27,304,725)
EXPENDITURES				
General government	-	-	249,649	(249,649)
Police	-	-	476,337	(476,337)
Fire	447,000	32,083,079	1,504,071	30,579,008
Libraries	-	9,500,000	-	9,500,000
Development	-	-	223,433	(223,433)
Parks and recreation	6,619,257	19,971,418	6,638,718	13,332,700
Public works	7,933,309	93,328,340	9,218,809	84,109,531
Total expenditures	14,999,566	154,882,837	18,311,017	136,571,820
Deficiency of revenues over expenditures	(1,776,222)	(111,482,523)	(2,215,428)	109,267,095
OTHER FINANCING SOURCES				
Issuance of long-term debt	2,425,000	21,400,080	21,400,080	-
Transfers in	-	2,600,000	2,600,000	-
Total other financing sources	2,425,000	24,000,080	24,000,080	-
Net change in fund balances	648,778	(87,482,443)	21,784,652	109,267,095
Fund Balance, Beginning of Year	116,613,324	116,613,324	116,613,324	-
Fund Balance, End of Year	$ 117,262,102	$ 29,130,881	$ 138,397,976	$ 109,267,095

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

HOTEL/MOTEL FUND – to account for a 7% hotel/motel tax imposed on lodging fees for the purpose of funding activities and programs that are allowed by the hotel/motel tax to promote tourism.

LAW ENFORCEMENT FUND – to account for donations and funds derived from police investigation of criminal activities.

DONATIONS FUND – to account for funds provided by private donors and other governmental agencies to assist in the purchase of fire department equipment and related expenses, supporting library operations, and for the purpose of maintaining facilities and support special events at Veterans Memorial Park.

COMMUNITY HOUSING FUND – to account for grants and funding received for affordable housing programs.

GRANTS FUND – to account for local, state, federal, and private grants received for governmental operations and projects.

TAX INCREMENT REINVESTMENT ZONE 1 (TIRZ 1) – to account for property and sales taxes collected in the TIRZ 1 zone for the purpose of funding infrastructure and projects in the Historic Town Center.

TAX INCREMENT REINVESTMENT ZONE 2 (TIRZ 2) – to account for property and sales taxes collected in the TIRZ 2 zone for the purpose of funding infrastructure to the Airport.

PEG CABLE CHANNEL FUND – to account for fees received from cable operators within the City for the purpose of funding expenditures relating to the PEG (Public, Educational, and Governmental) Cable Channel.

CAPITAL PROJECTS FUND

TECHNOLOGY IMPROVEMENT FUND – to account for technology infrastructure improvements and computer hardware/software needs. Inter-fund charges through cost allocation provide revenue sources to this fund.

CITY OF MCKINNEY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds				
	Hotel/Motel	Law Enforcement	Donations	Community Housing	Grants
ASSETS					
Cash and cash equivalents	$ 1,869,726	$ 612,637	$ 267,953	$ 131,872	$ 257,363
Receivables:					
Accounts	65,281	-	-	-	-
Other taxes and fees	275,935	-	-	-	-
Due from other governments	-	-	-	122,981	35
Prepaid items	-	1,300	-	11,821	-
Total assets	$ 2,210,942	$ 613,937	$ 267,953	$ 266,674	$ 257,398
LIABILITIES					
Accounts payable	$ 105	$ 29,175	$ 895	$ 38,505	$ -
Other accrued liabilities	-	18,976	-	44,812	-
Due to other funds	-	-	-	98,000	-
Total liabilities	105	48,151	895	181,317	-
FUND BALANCES					
Nonspendable:					
Prepaid items	-	1,300	-	11,821	-
Restricted:					
Capital projects	-	-	-	-	-
Law enforcement	-	564,486	-	-	-
Fire	-	-	49,898	-	-
PEG	-	-	-	-	-
Library	-	-	203,093	-	-
Community Housing	-	-	-	73,536	-
Veterans Memorial Park	-	-	14,067	-	-
Hotel/Motel	2,210,837	-	-	-	-
Grants	-	-	-	-	257,398
Total fund balances	2,210,837	565,786	267,058	85,357	257,398
Total liabilities and fund balances	$ 2,210,942	$ 613,937	$ 267,953	$ 266,674	$ 257,398

Special Revenue Funds			Capital Projects	
TIRZ 1	TIRZ 2	PEG Cable Channel	Technology Improvement	Total Nonmajor Governmental Funds
$ 5,034,014	$ 2,210,710	$ 1,737,451	$ 9,691,766	$ 21,813,492
-	-	-	-	65,281
3,184	3,182	96,753	-	379,054
-	-	-	-	123,016
-	-	-	79,184	92,305
$ 5,037,198	$ 2,213,892	$ 1,834,204	$ 9,770,950	$ 22,473,148
$ -	$ -	$ 8,319	$ 55,791	$ 132,790
-	-	-	-	63,788
-	-	-	-	98,000
-	-	8,319	55,791	294,578
-	-	-	79,184	92,305
5,037,198	2,213,892	-	9,635,975	16,887,065
-	-	-	-	564,486
-	-	-	-	49,898
-	-	1,825,885	-	1,825,885
-	-	-	-	203,093
-	-	-	-	73,536
-	-	-	-	14,067
-	-	-	-	2,210,837
-	-	-	-	257,398
5,037,198	2,213,892	1,825,885	9,715,159	22,178,570
$ 5,037,198	$ 2,213,892	$ 1,834,204	$ 9,770,950	$ 22,473,148

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds				
	Hotel/Motel	Law Enforcement	Donations	Community Housing	Grants
REVENUES					
Property tax	$ -	$ -	$ -	$ -	$ -
Sales and use taxes	1,554,794	-	-	-	-
Other taxes and fees	-	-	-	-	-
Intergovernmental	-	-	-	699,643	124,271
Charges for services	-	-	-	-	-
Fines and forfeitures	-	148,142	-	-	-
Investment income	3,843	119	303	115	-
Contributions	-	12,382	13,043	-	1,000
Miscellaneous	1,682	-	-	22,304	-
Total revenues	1,560,319	160,643	13,346	722,062	125,271
EXPENDITURES					
Current:					
General government	477,385	-	-	-	-
Police	-	116,811	-	-	1,757
Fire	-	-	2,017	-	-
Libraries	-	-	25,676	-	1,000
Development	-	-	-	711,994	17,443
Parks and recreation	-	-	3,810	-	-
Capital expenditures:					
General government	-	-	-	-	-
Police	-	40,201	-	-	11,354
Fire	-	-	-	-	106,304
Total expenditures	477,385	157,012	31,503	711,994	137,858
Excess (deficiency) of revenues over expenditures	1,082,934	3,631	(18,157)	10,068	(12,587)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(185,000)	-	-	-	-
Total other financing sources (uses)	(185,000)	-	-	-	-
Net Change in Fund Balance	897,934	3,631	(18,157)	10,068	(12,587)
Fund Balance, Beginning of Year	1,312,903	562,155	285,215	75,289	269,985
Fund Balance, End of Year	$ 2,210,837	$ 565,786	$ 267,058	$ 85,357	$ 257,398

Special Revenue Funds			Capital Projects	
TIRZ 1	TIRZ 2	PEG Cable Channel	Technology Improvement	Total Nonmajor Funds
$ 433,314	$ 83,658	$ -	$ -	$ 516,972
1,116,981	515,917	-	-	3,187,692
-	-	417,981	-	417,981
-	-	-	-	823,914
-	-	-	1,534,510	1,534,510
-	-	-	-	148,142
10,458	5,436	1,774	26,293	48,341
-	-	-	-	26,425
-	-	-	-	23,986
1,560,753	605,011	419,755	1,560,803	6,727,963
25,000	-	10,823	1,063,860	1,577,068
-	-	-	-	118,568
-	-	-	-	2,017
-	-	-	-	26,676
-	-	-	-	729,437
-	-	-	-	3,810
-	-	76,442	487,067	563,509
-	-	-	-	51,555
-	-	-	-	106,304
25,000	-	87,265	1,550,927	3,178,944
1,535,753	605,011	332,490	9,876	3,549,019
-	-	-	1,500,000	1,500,000
(10,500)	(4,500)	-	-	(200,000)
(10,500)	(4,500)	-	1,500,000	1,300,000
1,525,253	600,511	332,490	1,509,876	4,849,019
3,511,945	1,613,381	1,493,395	8,205,283	17,329,551
$ 5,037,198	$ 2,213,892	$ 1,825,885	$ 9,715,159	$ 22,178,570

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
HOTEL/MOTEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Sales and use taxes	$ 1,000,000	$ 1,200,000	$ 1,554,794	$ 354,794
Investment income	1,000	1,300	3,843	2,543
Miscellaneous	400	400	1,682	1,282
Total revenues	1,001,400	1,201,700	1,560,319	358,619
EXPENDITURES				
General government	463,270	483,270	477,385	5,885
Total expenditures	463,270	483,270	477,385	5,885
Excess of revenues over expenditures	538,130	718,430	1,082,934	364,504
OTHER FINANCING USES				
Transfers out	(185,000)	(185,000)	(185,000)	-
Total other financing uses	(185,000)	(185,000)	(185,000)	-
Net Change in Fund Balance	353,130	533,430	897,934	364,504
Fund Balance, Beginning of Year	1,312,903	1,312,903	1,312,903	-
Fund Balance, End of Year	$ 1,666,033	$ 1,846,333	$ 2,210,837	$ 364,504

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
LAW ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	$ 325,000	$ 325,000	$ 148,142	$ (176,858)
Investment income	150	150	119	(31)
Contributions	16,000	16,000	12,382	(3,618)
Total revenues	341,150	341,150	160,643	(180,507)
EXPENDITURES				
Police	247,500	247,500	157,012	90,488
Total expenditures	247,500	247,500	157,012	90,488
Net Change in Fund Balance	93,650	93,650	3,631	(90,019)
Fund Balance, Beginning of Year	562,155	562,155	562,155	-
Fund Balance, End of Year	$ 655,805	$ 655,805	$ 565,786	$ (90,019)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
DONATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 450	$ 350	$ 303	$ (47)
Contributions	12,500	12,500	13,043	543
Total revenues	12,950	12,850	13,346	496
EXPENDITURES				
Fire	14,500	14,500	2,017	12,483
Libraries	25,000	25,000	25,676	(676)
Parks and recreation	5,000	5,000	3,810	1,190
Total expenditures	44,500	44,500	31,503	12,997
Excess (deficiency) of revenues over expenditures	(31,550)	(31,650)	(18,157)	13,493
Net Change in Fund Balance	(31,550)	(31,650)	(18,157)	13,493
Fund Balance, Beginning of Year	285,215	285,215	285,215	-
Fund Balance, End of Year	$ 253,665	$ 253,565	$ 267,058	$ 13,493

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
COMMUNITY HOUSING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 1,529,742	$ 1,529,742	$ 699,643	$ (830,099)
Investment income	200	200	115	(85)
Miscellaneous	5,000	5,000	22,304	17,304
Total revenues	1,534,942	1,534,942	722,062	(812,880)
EXPENDITURES				
Development	1,533,723	1,565,324	711,994	853,330
Total expenditures	1,533,723	1,565,324	711,994	853,330
Excess (deficiency) of revenues over expenditures	1,219	(30,382)	10,068	40,450
Net Change in Fund Balance	1,219	(30,382)	10,068	40,450
Fund Balance, Beginning of Year	75,289	75,289	75,289	-
Fund Balance, End of Year	$ 76,508	$ 44,907	$ 85,357	$ 40,450

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 792,725	$ 336,778	$ 124,271	$ (212,507)
Contributions	-	-	1,000	1,000
Total revenues	792,725	336,778	125,271	(211,507)
EXPENDITURES				
Police	83,508	39,426	13,111	26,315
Development	111,099	52,453	17,443	35,010
Fire	677,081	319,669	106,304	213,365
Libraries	6,369	3,007	1,000	2,007
Total expenditures	878,057	414,555	137,858	276,697
Excess (deficiency) of revenues over expenditures	(85,332)	(77,777)	(12,587)	65,190
OTHER FINANCING SOURCES				
Transfers in	-	50,000	-	(50,000)
Total other financing sources	-	50,000	-	(50,000)
Net Change in Fund Balance	(85,332)	(27,777)	(12,587)	15,190
Fund Balance, Beginning of Year	269,985	269,985	269,985	-
Fund Balance, End of Year	$ 184,653	$ 242,208	$ 257,398	$ 15,190

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TIRZ 1 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 482,036	$ 482,036	$ 433,314	$ (48,722)
Sales and use taxes	544,254	1,336,537	1,116,981	(219,556)
Investment income	3,000	7,400	10,458	3,058
Total revenues	1,029,290	1,825,973	1,560,753	(265,220)
EXPENDITURES				
General government	100,000	100,000	25,000	75,000
Total expenditures	100,000	100,000	25,000	75,000
Excess of revenues over expenditures	929,290	1,725,973	1,535,753	(190,220)
OTHER FINANCING USES				
Transfers out	(10,500)	(10,500)	(10,500)	-
Total other financing uses	(10,500)	(10,500)	(10,500)	-
Net Change in Fund Balance	918,790	1,715,473	1,525,253	(190,220)
Fund Balance, Beginning of Year	3,511,945	3,511,945	3,511,945	-
Fund Balance, End of Year	$ 4,430,735	$ 5,227,418	$ 5,037,198	$ (190,220)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TIRZ 2 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 100,637	$ 100,637	$ 83,658	$ (16,979)
Sales and use taxes	398,333	313,013	515,917	202,904
Investment income	2,000	4,400	5,436	1,036
Total revenues	500,970	418,050	605,011	186,961
OTHER FINANCING USES				
Transfers out	(4,500)	(4,500)	(4,500)	-
Total other financing uses	(4,500)	(4,500)	(4,500)	-
Net Change in Fund Balance	496,470	413,550	600,511	186,961
Fund Balance, Beginning of Year	1,613,381	1,613,381	1,613,381	-
Fund Balance, End of Year	$ 2,109,851	$ 2,026,931	$ 2,213,892	$ 186,961

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
PEG CABLE CHANNEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Other taxes and fees	$ 350,000	$ 350,000	$ 417,981	$ 67,981
Investment income	-	1,800	1,774	(26)
Total revenues	350,000	351,800	419,755	67,955
EXPENDITURES				
General government	57,400	157,400	87,265	70,135
Total expenditures	57,400	157,400	87,265	70,135
Excess of revenues over expenditures	292,600	194,400	332,490	138,090
Net Change in Fund Balance	292,600	194,400	332,490	138,090
Fund Balance, Beginning of Year	1,493,395	1,493,395	1,493,395	-
Fund Balance, End of Year	$ 1,785,995	$ 1,687,795	$ 1,825,885	$ 138,090

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TECHNOLOGY IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Charges for services	$ 1,534,510	$ 1,534,510	$ 1,534,510	$ -
Investment income	6,000	20,000	26,293	6,293
Total revenues	1,540,510	1,554,510	1,560,803	6,293
EXPENDITURES				
General government	1,061,709	2,837,261	1,550,927	1,286,334
Total expenditures	1,061,709	2,837,261	1,550,927	1,286,334
Excess (deficiency) of revenues over expenditures	478,801	(1,282,751)	9,876	1,292,627
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,500,000	1,500,000	-
Transfers out	(1,285)	-	-	-
Total other financing sources	(1,285)	1,500,000	1,500,000	-
Net Change in Fund Balance	477,516	217,249	1,509,876	1,292,627
Fund Balance, Beginning of Year	8,205,283	8,205,283	8,205,283	-
Fund Balance, End of Year	$ 8,682,799	$ 8,422,532	$ 9,715,159	$ 1,292,627

NONMAJOR ENTERPRISE AND INTERNAL SERVICE FUNDS

GOLF COURSE FUND – to account for revenue received and operating expenses incurred in the operation of Oak Hollow Municipal Golf Course.

SURFACE WATER DRAINAGE UTILITY FUND – to account for revenue paid by utility customers and allowable expenses under the Surface Drainage Utility System Ordinance.

SOLID WASTE FUND – to account for revenues and operating costs of providing solid waste and recycling services.

INSURANCE RISK AND MANAGEMENT FUND – to account for costs associated with workers' compensation, property and liability insurance and with health and dental benefits of employees, retirees, and covered dependents.

FLEET MAINTENANCE FUND – to account for costs associated with maintenance of the City's operation and service vehicles.

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 200,756	$ 3,824,657	$ 8,787,174	$ 12,812,587
Investments	-	-	2,354,014	2,354,014
Restricted assets:				
Cash and cash equivalents	10,000	15,000	-	25,000
Accrued interest	-	-	4,728	4,728
Accounts receivable (net of allowance for uncollectibles)	6,981	368,194	1,721,880	2,097,055
Notes receivable - interfund	-	-	780,585	780,585
Notes receivable - component unit	-	-	2,423,840	2,423,840
Prepaid items	-	797	773	1,570
Total current assets	217,737	4,208,648	16,072,994	20,499,379
NONCURRENT ASSETS				
Capital assets:				
Land	402,213	-	164,296	566,509
Buildings	1,499,162	-	164,402	1,663,564
Improvements other than buildings	2,522,526	-	663,019	3,185,545
Machinery and equipment	384,446	659,851	411,761	1,456,058
Less accumulated depreciation	(2,887,227)	(546,081)	(934,161)	(4,367,469)
Net capital assets	1,921,120	113,770	469,317	2,504,207
Total Assets	2,138,857	4,322,418	16,542,311	23,003,586
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	-	85,325	74,405	159,730
Deferred investment loss	-	135,344	118,020	253,364
Deferred experience loss	-	18,506	16,138	34,644
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	239,175	208,563	447,738
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	59,989	78,190	138,179
Other accrued liabilities	-	60,925	769,792	830,717
Due to other funds	-	-	45,544	45,544
Notes payable	49,640	-	-	49,640
Compensated absences	-	10,423	9,264	19,687
Total current liabilities	49,640	131,337	902,790	1,083,767
Payable from restricted assets:				
Deposits	10,000	-	-	10,000
Total current liabilities payable from restricted assets	10,000	-	-	10,000
NONCURRENT LIABILITIES				
Net pension liability	-	551,446	480,862	1,032,308
Compensated absences	-	105,386	93,670	199,056
Notes payable	730,945	-	-	730,945
Total noncurrent liabilities	730,945	656,832	574,532	1,962,309
Total liabilities	790,585	788,169	1,477,322	3,056,076
DEFERRED INFLOWS OF RESOURCES				
Deferred pension experience gains	-	16,466	14,358	30,824
Net Position				
Net investment in capital assets	1,921,120	113,770	469,317	2,504,207
Unrestricted	(572,848)	3,643,188	14,789,877	17,860,217
Total net position	$ 1,348,272	$ 3,756,958	$ 15,259,194	$ 20,364,424

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
Operating Revenues				
Charges for services	$ 34,123	$ 3,517,545	$ 8,121,069	$ 11,672,737
Miscellaneous	65,271	-	50,711	115,982
Total operating revenues	99,394	3,517,545	8,171,780	11,788,719
Operating Expenses				
Personnel services	-	1,245,815	1,004,676	2,250,491
Materials and supplies	-	35,875	32,771	68,646
Maintenance	-	175,728	28,503	204,231
Contract payments	-	431,814	5,705,766	6,137,580
Utilities	-	3,309	3,468	6,777
Depreciation	167,869	22,792	35,652	226,313
Other	14,514	183,329	58,469	256,312
Total operating expenses	182,383	2,098,662	6,869,305	9,150,350
Operating income (loss)	(82,989)	1,418,883	1,302,475	2,638,369
Nonoperating Revenues (Expenses)				
Investment income	178	13,318	113,564	127,060
Gain (loss) on disposal of assets	-	-	7,678	7,678
Total non-operating revenues	178	13,318	121,242	134,738
Income (loss) before contributions and transfers	(82,811)	1,432,201	1,423,717	2,773,107
Capital Contributions and Transfers				
Transfers in	-	48,724	82,512	131,236
Transfers out	(5,000)	(264,696)	(445,892)	(715,588)
Change In Net Position	(87,811)	1,216,229	1,060,337	2,188,755
Net Position, Beginning of Year	1,436,083	2,540,729	14,198,857	18,175,669
Net Position, End of Year	$ 1,348,272	$ 3,756,958	$ 15,259,194	$ 20,364,424

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
OPERATING ACTIVITIES				
Cash received from customers	$ 74,098	$ 3,581,540	$ 7,935,043	$ 11,590,681
Other operating revenues	65,271	-	50,711	115,982
Cash payments for employee services	-	(1,136,750)	(973,132)	(2,109,882)
Cash payments to suppliers for goods and services	(34,570)	(793,424)	(5,754,733)	(6,582,727)
Net cash provided by operating activities	104,799	1,651,366	1,257,889	3,014,054
NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	48,724	82,512	131,236
Transfers out	(5,000)	(264,696)	(445,892)	(715,588)
Net cash used in non-capital financing activities	(5,000)	(215,972)	(363,380)	(584,352)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	-	(22,478)	(22,478)
Proceeds from sale of assets	-	(48,724)	7,678	(41,046)
Principal payments on loans	(48,786)	-	-	(48,786)
Payments from loan to component units	-	-	792,001	792,001
Proceeds from advances	-	-	48,786	48,786
Net cash provided by (used in) capital and related financing activities	(48,786)	(48,724)	825,987	728,477
INVESTING ACTIVITIES				
Purchase of investment securities	-	-	(431,357)	(431,357)
Investment earnings	178	13,318	132,215	145,711
Net cash provided by (used in) investing activities	178	13,318	(299,142)	(285,646)
Net Increase in Cash and Cash Equivalents	51,191	1,399,988	1,421,354	2,872,533
Cash and Cash Equivalents, Beginning of Year	159,565	2,439,669	7,365,820	9,965,054
Cash and Cash Equivalents, End of Year	$ 210,756	$ 3,839,657	$ 8,787,174	$ 12,837,587
RECONCILITATION TO THE COMBINING STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	$ 200,756	$ 3,824,657	$ 8,787,174	$ 12,812,587
Restricted cash and cash equivalents	10,000	15,000	-	25,000
	$ 210,756	$ 3,839,657	$ 8,787,174	$ 12,837,587
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ (82,989)	$ 1,418,883	$ 1,302,475	$ 2,638,369
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	167,869	22,792	35,652	226,313
Changes in pension expense	-	61,344	15,793	77,137
Provision for uncollectibles	-	4,386	15,644	20,030
Change in assets and liabilities				
(Increases) decreases in assets:				
Accounts receivable	39,975	59,608	(201,670)	(102,087)
Prepaid expenses	-	(797)	(773)	(1,570)
Increases (decreases) in liabilities:				
Accounts payable	(20,056)	3,444	24,639	8,027
Accrued liabilities	-	33,984	50,378	84,362
Due to other funds	-	-	3,493	3,493
Liability for accrued vacation	-	47,722	12,258	59,980
Total adjustments	187,788	232,483	(44,586)	375,685
Net cash provided by operating activities	$ 104,799	$ 1,651,366	$ 1,257,889	$ 3,014,054

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 9,927,165	$ 5,413	$ 9,932,578
Accounts receivable (net of allowance for uncollectibles)	190,804	-	190,804
Prepaid items	22,267	70	22,337
Inventory	-	133,323	133,323
Total current assets	10,140,236	138,806	10,279,042
NONCURRENT ASSETS			
Capital assets:			
Machinery and equipment	-	415,349	415,349
Less accumulated depreciation	-	(284,871)	(284,871)
Net capital assets	-	130,478	130,478
Total Assets	10,140,236	269,284	10,409,520
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension contributions	7,509	56,653	64,162
Deferred pension investment loss	11,910	89,868	101,778
Deferred pension experience loss	1,629	12,288	13,917
Total deferred outflows of resources	21,048	158,809	179,857
LIABILITIES			
Accounts payable	964,699	102,139	1,066,838
Other accrued liabilities	1,587	24,685	26,272
Due to other funds	-	10,000	10,000
Compensated absences	654	7,250	7,904
Noncurrent liabilities			
Compensated absences	6,612	73,308	79,920
Net pension liability	48,528	366,160	414,688
Total liabilities	1,022,080	583,542	1,605,622
DEFERRED INFLOWS OF RESOURCES			
Deferred pension experience gain	1,449	10,933	12,382
NET POSITION			
Net investment in capital assets	-	130,478	130,478
Unrestricted	9,137,755	(296,860)	8,840,895
Total net position	$ 9,137,755	$ (166,382)	$ 8,971,373

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	**Fleet Maintenance**	**Total Internal Service Funds**
OPERATING REVENUES			
Charges for services	$ 17,826,689	$ 835,403	$ 18,662,092
Miscellaneous	71,809	-	71,809
Total operating revenues	17,898,498	835,403	18,733,901
OPERATING EXPENSES			
Personnel services	160,493	813,178	973,671
Depreciation	-	16,506	16,506
Other	16,923,382	75,869	16,999,251
Total operating expenses	17,083,875	905,553	17,989,428
Operating income (loss)	814,623	(70,150)	744,473
NONOPERATING REVENUES			
Investment Income	42,908	412	43,320
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers out	(221,882)	-	(221,882)
Capital contributions	-	146,984	146,984
Assumption of compensated absences liability	-	(48,949)	(48,949)
Assumption of pension	-	(194,679)	(194,679)
	(221,882)	(96,644)	(318,526)
Change in Net Position	635,649	(166,382)	469,267
Net Position, Beginning of Year	8,502,106	-	8,502,106
Net Position, End of Year	$ 9,137,755	$ (166,382)	$ 8,971,373

CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from user charges	$ 17,775,426	$ 835,403	$ 18,610,829
Other operating revenues	71,809	-	71,809
Cash payments for employee services	(152,566)	(757,964)	(910,530)
Cash payments for other operating expenses	(16,981,794)	(82,438)	(17,064,232)
Net cash provided by operating activities	712,875	(4,999)	707,876
NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	10,000	10,000
Transfers out	-	-	-
Net cash used in non-capital financing activities	-	10,000	10,000
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(221,882)	-	(221,882)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	42,908	412	43,320
Net cash provided by investing activities	42,908	412	43,320
NET INCREASE IN CASH AND CASH EQUIVALENTS	533,901	5,413	539,314
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,393,264	-	9,393,264
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,927,165	$ 5,413	$ 9,932,578
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 814,623	$ (70,150)	$ 744,473
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	16,506	16,506
Pension expense	661	23,605	24,266
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(51,263)	-	(51,263)
Prepaid expenses	(22,267)	(70)	(22,337)
Inventory	-	(133,323)	(133,323)
Increase (decrease) in liabilities:			
Accounts payable	(36,145)	126,824	90,679
Compensated absences	7,266	31,609	38,875
Total adjustments	(101,748)	65,151	(36,597)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 712,875	$ (4,999)	$ 707,876

McKINNEY™
TEXAS
Unique by nature.SM

FIDUCIARY FUNDS

McKINNEY™
TEXAS
Unique by nature.SM

CITY OF MCKINNEY, TEXAS
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

BB Owen Park **ASSETS**	**Balance September 30, 2015**	**ADDITIONS**	**DEDUCTIONS**	**Balance September 30, 2016**
Cash and cash equivalents	$ 10,223,352	$ 42,475	$ (2,250,000)	$ 8,015,827
Total assets	$ 10,223,352	$ 42,475	$ (2,250,000)	$ 8,015,827
LIABILITIES				
Developer escrows	$ 10,223,352	$ 42,475	$ (2,250,000)	$ 8,015,827
Total liabilities	$ 10,223,352	$ 42,475	$ (2,250,000)	$ 8,015,827

McKINNEY™
TEXAS
Unique by nature.SM

DISCRETELY PRESENTED COMPONENT UNITS

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION – purpose is to aid, promote and further the economic development within the City.

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION – purpose is to identify and fund public projects to maintain or enhance the quality of life in the City.

MCKINNEY CONVENTION & VISITORS BUREAU – purpose is to account for funds received from the City's local hotel/motel tax fund for the purpose of promoting tourism and making the City of McKinney a destination of choice.

MCKINNEY MAIN STREET – purpose is to maintain and enhance a vibrant downtown area through economic redevelopment, design, organization and promotion.

CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

	McKinney Economic Development Corporation
ASSETS	
Cash and cash equivalents	$ 29,378,883
Restricted cash and cash equivalents	1,600,636
Accounts receivable	2,178,230
Prepaid items	23,942
Total assets	33,181,691
LIABILITIES	
Accounts payable	32,058
Other accrued liabilities	30,232
Total liabilities	62,290
FUND BALANCES	
Nonspendable	23,942
Restricted	
Debt service	1,560
Debt service reserve balance	1,599,076
Unassigned	31,494,823
Total fund balance	33,119,401
Total liabilities and fund balance	$ 33,181,691

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

Total fund balance – MEDC balance sheet	$ 33,119,401
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	15,033,590
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(66,547)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Employer contributions (GASB 68)	69,624
Investment return difference (GASB 68)	110,441
Experience difference, net (GASB 68)	1,665
Net pension liabilities are not reported in the funds.	(449,980)
Bonds payable and notes payable are not reported in the funds.	(14,133,840)
Accrued interest is not reported in the funds.	(44,383)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 33,639,971

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – MCKINNEY ECONOMIC
DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	McKinney Economic Development Corporation
REVENUES	
Sales and use taxes	$ 11,697,417
Investment income	117,382
Contributions	20,325
Total revenues	11,835,124
EXPENDITURES	
Economic development	3,282,713
Interest and fiscal charges	596,036
Principal payments	1,802,001
Total expenditures	5,680,750
Excess (deficiency) of revenues over expenditures	6,154,374
Excess (deficiency) of revenues and other sources over expenditures	6,154,374
Fund balance, beginning of year	26,965,027
Fund balance, end of year	$ 33,119,401

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances – governmental funds	$	6,154,374
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds do not report depreciation since it does not require the use of current financial resources.		(13,966)
Bond principal and note payable payments are not reported in the Statement of Activities.		1,802,001
Interest is accrued on outstanding debt in the government-wide financial statements, but reported when due in the funds.		3,542
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		(55,282)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		(28,190)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	7,862,479

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

	McKinney Community Development Corporation
ASSETS	
Cash and cash equivalents	$ 39,006,535
Investments	2,700,427
Accounts receivable	2,178,107
Accrued interest receivable	1,810
Prepaid items	9,302
Total assets	43,896,181
LIABILITIES	
Accounts payable	1,663,811
Other accrued liabilities	1,246,518
Total liabilities	2,910,329
FUND BALANCE	
Nonspendable	
Prepaid items	9,302
Unrestricted	40,976,550
Total fund balance	40,985,852
Total liabilities and fund balance	$ 43,896,181

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

Total fund balance – MCDC balance sheet	$ 40,985,852
Amounts reported for governmental activities in the statement of net position are different because:	
Bonds payable are not reported in the funds.	(23,315,000)
Accrued interest is not reported in the funds.	(94,614)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(33,283)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Employer contributions (GASB 68)	19,114
Investment return difference (GASB 68)	30,317
Experience difference, net (GASB 68)	457
Net pension liabilities are not reported in the funds.	(123,524)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	34,528,853
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 51,998,172

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	McKinney Community Development Corporation
REVENUES	
Sales and use taxes	$ 11,697,417
Investment income	220,341
Total revenues	11,917,758
EXPENDITURES	
Community development	5,475,806
Debt Service:	
Principal retirement	955,000
Interest and fiscal charges	764,478
Capital outlay	25,102,953
Total expenditures	32,298,237
Excess of revenues over expenditures	(20,380,479)
Net change in fund balance	(20,380,479)
Fund balance, beginning of year	61,366,331
Fund balance, end of year	$ 40,985,852

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in Fund Balances – total governmental funds	$ (20,380,479)
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government-wide financial statements.	25,102,953
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	955,000
Interest is accrued on outstanding debt in the government-wide statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(94,614)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(7,431)
Governmental funds do not report depreciation since it does not require the use of current financial resources.	(141,883)
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	(3,904)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 5,429,642

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY CONVENTION AND VISITORS BUREAU
SEPTEMBER 30, 2016

	McKinney Convention & Visitors Bureau
ASSETS	
Cash and cash equivalents	$ 84,840
Accounts receivable	253
Prepaid items	17,858
Total assets	102,951
LIABILITIES	
Accounts payable	6,279
Other accrued liabilities	10,149
Total liabilities	16,428
FUND BALANCE	
Nonspendable	
Prepaid items	17,858
Unrestricted	68,665
Total fund balance	$ 86,523

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY CONVENTION AND VISITORS BUREAU
SEPTEMBER 30, 2016

Total fund balance – MCVB balance sheet	$	86,523
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:		
Employer contributions (GASB 68)		20,476
Investment return difference (GASB 68)		32,483
Experience difference, net (GASB 68)		490
Net pension liabilities are not reported in the funds.		(132,347)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.		(53,498)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(45,873)

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	McKinney Convention & Visitors Bureau
REVENUES	
Contributions	$ 456,270
Investment income	126
Miscellaneous	2,697
Total revenues	459,093
EXPENDITURES	
Community development	550,171
Total expenditures	550,171
Net change in fund balance	(91,078)
Fund balance, beginning of year	177,601
Fund balance, end of year	$ 86,523

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MCKINNEY CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in Fund Balances – governmental funds	$	(91,078)
Amounts reported for governmental activities in the statement of activities are different because:		
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		(7,731)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		(5,268)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(104,077)

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY MAIN STREET
SEPTEMBER 30, 2016

	McKinney Main Street
ASSETS	
Cash and cash equivalents	$ 280,829
Accounts receivable	23,430
Prepaid items	17,829
Total assets	322,088
LIABILITIES	
Accounts payable	104,805
Unearned revenue	1,665
Total liabilities	106,470
FUND BALANCE	
Nonspendable	
Prepaid items	17,829
Unrestricted	197,789
Total fund balance	215,618
Total liabilities and fund balance	$ 322,088

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY MAIN STREET
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	McKinney Main Street
REVENUES	
Events	$ 886,838
EXPENDITURES	
Community development	834,652
Net change in fund balance	52,186
Fund balance, beginning of year	163,432
Fund balance, end of year	$ 215,618

McKINNEY™
TEXAS
Unique by nature.SM

STATISTICAL SECTION

McKINNEY™
TEXAS
Unique by nature.SM

This part of the City of McKinney's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

Contents	**Table #s**
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	**1-4**
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	**5-8**
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	**9-13**
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	**14-15**
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	**16-18**

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF MCKINNEY, TEXAS
NET POSITION BY COMPONENT
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	$ 297,203,029	$ 239,601,800	$ 285,415,013	$ 290,201,450
Restricted for:				
Use of impact fees	5,914,879	5,876,387	5,849,676	2,027,269
Highways and streets	-	40,323,951	42,770,468	33,628,327
Debt service	1,265,064	1,504,492	1,812,651	588,843
Other capital project	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Court	-	-	-	-
Library	-	-	-	-
Cultural and recreation	-	-	-	-
Grants	-	-	62,137	22,136
Unrestricted	44,022,473	59,424,524	59,789,506	61,481,942
Total governmental activities net position	$ 348,405,445	$ 346,731,154	$ 395,699,451	$ 387,949,967
Business-type activities				
Net investment in capital assets	$ 176,356,253	$ 180,859,674	$ 171,936,373	$ 206,148,786
Restricted for:				
Use of impact fees	1,646,162	1,760,033	2,083,128	2,537,464
Debt service	3,248,974	3,707,091	4,151,257	4,625,915
Unrestricted	46,817,740	55,657,877	89,351,500	63,541,978
Total business-type activities net position	$ 228,069,129	$ 241,984,675	$ 267,522,258	$ 276,854,143
Primary government				
Net investment in capital assets	$ 473,559,282	$ 420,461,474	$ 457,351,386	$ 496,350,236
Restricted for:				
Use of impact fees	7,561,041	7,636,420	7,932,804	4,564,733
Highways and streets	-	40,323,951	42,770,468	33,628,327
Debt service	4,514,038	5,211,583	5,963,908	5,214,758
Other capital project	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Court	-	-	-	-
Library	-	-	-	-
Cultural and recreation	-	-	-	-
Grants	-	-	62,137	22,136
Unrestricted	90,840,213	115,082,401	149,141,006	125,023,920
Total primary governmental net position	$ 576,474,574	$ 588,715,829	$ 663,221,709	$ 664,804,110

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net position reflects the omission of MCVB, which is now reported as a discretely presented component unit.
In addition, beginning in 2012 GASB Statement 54 was adopted which amended net position classifications.

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 284,785,050	$ 274,393,395	$ 279,952,868	$ 252,289,367	$ 268,918,693	$ 320,331,134
4,061,242	4,549,816	6,700,810	5,692,253	-	-
31,376,277	26,796,515	26,406,329	24,938,952	28,691,743	32,306,475
219,454	888,855	1,285,455	1,400,079	4,107,035	3,894,517
-	-	46,153,392	50,015,128	65,017,451	44,403,282
-	573,763	803,777	896,023	601,868	614,384
-	309,242	513,456	779,686	1,312,903	4,110,258
-	-	-	-	-	350,172
-	168,894	242,609	248,630	224,501	203,093
-	6,371	16,109	15,412	13,751	14,067
65,005	452,431	425,968	434,681	269,985	257,398
64,368,362	78,769,485	41,729,688	56,117,047	34,468,809	44,277,694
$ 384,875,390	$ 386,908,767	$ 404,230,461	$ 392,827,258	$ 403,626,739	$ 450,762,474
$ 208,847,556	$ 218,424,139	$ 233,112,767	$ 330,408,725	$ 340,775,669	$ 370,316,179
2,704,125	5,025,467	8,806,302	7,564,939	8,995,690	8,407,115
4,980,679	5,324,601	5,528,516	5,601,263	4,248,344	4,338,428
74,128,202	78,188,714	77,348,628	89,167,306	88,825,761	89,348,086
$ 290,660,562	$ 306,962,921	$ 324,796,213	$ 432,742,233	$ 442,845,464	$ 472,409,808
$ 493,632,606	$ 492,817,534	$ 513,065,635	$ 582,698,092	$ 609,694,362	$ 690,647,313
6,765,367	9,575,283	15,507,112	13,257,192	8,995,690	8,407,115
31,376,277	26,796,515	26,406,329	24,938,952	28,691,743	32,306,475
5,200,133	6,213,456	6,813,971	7,001,342	8,355,379	8,232,945
-	-	46,153,392	50,015,128	65,017,451	44,403,282
-	573,763	803,777	896,023	601,868	614,384
-	309,242	513,456	779,686	1,312,903	4,110,258
-	-	-	-	-	350,172
-	168,894	242,609	248,630	224,501	203,093
-	6,371	16,109	15,412	13,751	14,067
65,005	452,431	425,968	434,681	269,985	257,398
138,496,564	156,958,199	119,078,316	145,284,353	123,294,570	133,625,780
$ 675,535,952	$ 693,871,688	$ 729,026,674	$ 825,569,491	$ 846,472,203	$ 923,172,282

CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	$ 16,703,632	$ 24,836,791	$ 21,117,506	$ 29,245,688
Police	17,171,278	19,724,792	20,881,195	21,276,723
Fire	15,371,027	17,477,479	19,371,301	19,828,670
Libraries	2,624,278	2,753,427	2,894,683	3,179,616
Development	9,192,242	9,786,774	9,507,244	9,491,109
Parks and recreation	7,788,351	8,645,291	9,383,872	9,215,196
Public works	25,163,366	38,499,039	30,724,972	33,614,032
Interest on long-term debt	8,108,639	7,980,156	9,045,551	10,241,441
Airport	614,282	8,541,987	1,850,442	2,655,115
Total governmental activities expenses	102,737,095	138,245,736	124,776,766	138,747,590
Business-type activities:				
Water/Wastewater	34,284,602	37,755,782	41,467,962	44,083,602
Solid Waste	4,625,896	5,492,531	5,724,412	6,213,755
Golf Course	963,658	971,187	187,769	258,801
Surface Water Drainage	25,000	63,944	877,048	1,583,183
Airport	-	-	-	-
Total business-type activities expenses	39,899,156	44,283,444	48,257,191	52,139,341
Total primary government expenses	$ 142,636,251	$ 182,529,180	$ 173,033,957	$ 190,886,931
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	$ 2,356,380	$ 2,631,063	$ 2,692,338	$ 2,976,341
Police	1,737,930	3,771,316	2,689,592	2,529,019
Fire	985,641	1,475,731	1,607,943	794,661
Libraries	115,841	55,649	71,437	86,927
Development	5,410,173	4,283,881	3,949,296	4,058,203
Parks and recreation	929,376	1,020,734	1,123,973	1,037,454
Public Works	-	-	-	-
Interest on long-term debt	-	-	-	528,000
Airport	-	-	-	-
Operating grants and contributions	1,829,116	1,731,674	1,834,766	2,471,193
Capital grants and contributions	33,563,709	29,065,497	63,619,883	20,349,634
Total governmental activities program revenues	46,928,166	44,035,545	77,589,228	34,831,432
Business-type activities:				
Charges for Services:				
Water/Wastewater	35,082,265	38,004,807	45,499,621	48,117,477
Solid Waste	6,430,735	6,719,134	6,372,156	6,000,135
Golf Course	811,557	918,519	79,451	82,026
Surface Water Drainage	622,531	1,586,333	1,684,830	1,751,066
Airport	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	13,160,529	10,891,962	21,663,743	7,106,651
Total business-type activities program revenues	56,107,617	58,120,755	75,299,801	63,057,355
Total primary government program revenues	$ 103,035,783	$ 102,156,300	$ 152,889,029	$ 97,888,787

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	**2016**
$ 23,110,420	$ 21,828,013	$ 20,555,978	$ 33,368,297	$ 27,058,274	$ 29,952,269
20,670,697	21,843,375	23,340,362	26,024,709	25,624,335	29,047,393
19,772,826	19,636,533	21,432,874	22,806,691	23,727,013	25,631,075
3,039,839	3,258,633	3,276,383	3,320,179	3,693,705	3,774,409
8,777,957	8,522,548	9,107,096	10,057,171	13,418,166	10,222,464
9,864,370	9,695,909	10,370,483	10,415,311	9,377,277	12,526,997
32,416,388	33,199,659	35,111,875	37,604,682	39,812,246	40,143,368
10,161,568	9,514,103	8,912,771	8,482,455	8,019,483	9,020,305
565,000	565,000	613,513	-	-	-
128,379,065	128,063,773	132,721,335	152,079,495	150,730,499	160,318,280
46,104,008	47,777,509	52,003,461	55,007,446	60,487,007	69,073,537
6,066,387	6,572,110	6,486,035	6,280,217	6,860,903	6,861,627
224,175	220,140	351,556	194,403	198,663	182,383
1,633,798	1,551,577	1,660,597	1,934,435	1,911,038	2,098,662
-	-	-	8,601,099	8,859,527	9,340,030
54,028,368	56,121,336	60,501,649	72,017,600	78,317,138	87,556,239
$ 182,407,433	$ 184,185,109	$ 193,222,984	$ 224,097,095	$ 229,047,637	$ 247,874,519
$ 2,999,584	$ 2,896,926	$ 1,492,078	$ 1,467,171	$ 3,842,116	$ 4,327,862
2,676,107	3,449,850	2,797,246	2,552,326	1,757,760	2,033,877
1,919,405	1,620,136	2,187,476	2,394,449	2,631,057	3,346,928
95,033	106,890	109,709	112,271	108,738	92,746
3,958,584	6,299,051	7,296,819	7,264,193	9,825,165	10,637,402
1,071,536	1,012,260	1,054,194	965,429	1,031,799	1,048,658
-	-	-	-	-	-
528,000	528,000	528,000	528,000	-	-
-	4,767	8,325	2,199	-	-
2,772,410	2,343,700	2,459,385	2,446,548	2,051,029	2,011,757
12,986,318	20,325,797	27,495,901	28,827,649	38,427,242	48,227,810
29,006,977	38,587,377	45,429,133	46,560,235	59,674,906	71,727,040
57,185,108	54,717,547	56,832,659	54,882,881	58,854,349	70,527,096
6,836,486	6,763,746	6,874,406	7,372,250	7,598,827	8,121,069
110,257	115,177	116,227	105,854	88,890	34,123
1,795,342	1,880,951	1,898,269	1,998,850	2,701,864	3,517,545
-	-	-	4,587,659	5,801,175	6,411,460
-	-	-	94,582	67,332	54,753
3,483,388	10,797,849	14,745,211	96,783,997	18,125,746	30,335,555
69,410,581	74,275,270	80,466,772	165,826,073	93,238,183	119,001,601
$ 98,417,558	$ 112,862,647	$ 125,895,905	$ 212,386,308	$ 152,913,089	$ 190,728,641

(continued)

CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION – CONTINUED
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
NET (EXPENSES) REVENUE				
Governmental activities	$ (55,808,929)	$ (94,210,191)	$ (47,187,538)	$ (103,916,158)
Business-type activities	16,208,461	13,837,311	27,042,610	10,918,014
Total primary government net expenses	$ (39,600,468)	$ (80,372,880)	$ (20,144,928)	$ (92,998,144)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property taxes	$ 49,300,666	$ 57,707,103	$ 62,815,581	$ 63,172,075
Sales and use taxes	16,189,172	17,683,376	17,124,800	16,868,201
Franchise taxes	8,462,571	9,633,525	9,724,093	10,794,251
Other taxes and fees	-	-	-	-
Investment income	7,882,249	4,950,865	2,764,578	2,378,612
Miscellaneous	119,323	273,109	892,940	175,614
Transfers	2,483,516	2,287,922	2,833,843	2,643,302
Prior period adjustment	1,857,835	-	-	-
Total governmental activities	86,295,332	92,535,900	96,155,835	96,032,055
Business-type activities:				
Investment income	3,688,586	2,315,647	1,318,112	1,031,169
Gain on sale of capital assets	32,147	50,510	10,704	(37,436)
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	(2,483,516)	(2,287,922)	(2,833,843)	(2,643,302)
Prior period adjustment	284,567	-	-	-
Total business-type activities	1,521,784	78,235	(1,505,027)	(1,649,569)
Total primary government	$ 87,817,116	$ 92,614,135	$ 94,650,808	$ 94,382,486
CHANGE IN NET POSITION				
Governmental activities	$ 30,486,403	$ (1,674,291)	$ 48,968,297	$ (7,884,103)
Business-type activities	17,730,245	13,915,546	25,537,583	9,268,445
Total primary government	$ 48,216,648	$ 12,241,255	$ 74,505,880	$ 1,384,342

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net position reflects the omission of MCVB, which is now reported as a discretely presented component unit of the City.

Fiscal Year						
2011	2012	2013	2014	2015	2016	
$ (99,372,088)	$ (89,476,396)	$ (87,292,202)	$ (105,519,260)	$ (91,055,593)	$ (88,591,240)	
15,382,213	18,153,934	19,965,123	93,808,473	14,921,045	31,445,362	
$ (83,989,875)	$ (71,322,462)	$ (67,327,079)	$ (11,710,787)	$ (76,134,548)	$ (57,145,878)	
$ 62,862,038	$ 64,193,735	$ 65,707,908	$ 70,586,659	$ 79,819,213	$ 90,581,621	
17,265,587	18,392,901	20,364,397	21,298,884	23,041,949	25,360,264	
12,050,388	12,051,980	12,759,298	13,630,462	13,858,355	14,162,263	
-	-	-	-	434,494	417,981	
1,664,055	846,135	334,465	298,151	370,660	1,153,094	
257,395	618,827	2,593,617	4,282,531	2,833,951	715,114	
2,643,302	2,798,302	2,854,211	(15,104,793)	2,965,135	3,336,638	
-	-	-	-	(21,468,683)	-	
96,742,765	98,901,880	104,613,896	94,991,894	101,855,074	135,726,975	
1,020,661	924,457	662,230	565,121	663,128	1,216,134	
46,847	22,270	60,150	(851,572)	(92,106)	-	
-	-	-	-	-	-	
-	-	-	-	-	239,486	
(2,643,302)	(2,798,302)	(2,854,211)	15,104,793	(2,965,135)	(3,336,638)	
-	-	-	-	(2,552,917)	-	
(1,575,794)	(1,851,575)	(2,131,831)	14,818,342	(4,947,030)	(1,881,018)	
$ 95,166,971	$ 97,050,305	$ 102,482,065	$ 109,810,236	$ 96,908,044	$ 133,845,957	
$ (2,629,323)	$ 9,425,484	$ 17,321,694	$ (10,527,366)	$ 10,799,481	$ 47,135,735	
13,806,419	16,302,359	17,833,292	108,626,815	9,974,015	29,564,344	
$ 11,177,096	$ 25,727,843	$ 35,154,986	$ 98,099,449	$ 20,773,496	$ 76,700,079	

(concluded)

CITY OF MCKINNEY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
GENERAL FUND				
Nonspendable:				
Inventory	$ -	$ -	$ -	$ -
Prepaid items	-	-	-	-
Land held for sale	-	-	-	-
Note receivable from component unit	-	-	-	-
Restricted:				
Court	-	-	-	-
Assigned:				
OPEB	-	-	-	-
Unassigned	-	-	-	-
Reserved for:				
Inventory and prepaid items	764,432	885,780	1,054,833	941,699
Advance to other funds	725,000	589,000	-	-
Note receivable from component unit	1,240,000	775,000	10,355,000	4,102,500
Designated:				
Insurance risk	2,472,273	2,291,879	1,600,559	1,600,559
Unreserved	40,316,555	39,998,634	28,838,279	33,023,643
Total general fund	$ 45,518,260	$ 44,540,293	$ 41,848,671	$ 39,668,401
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable:				
Prepaid items	$ -	$ -	$ -	$ -
Restricted:				
Debt service	-	-	-	-
Street construction	-	-	-	-
Capital projects	-	-	-	-
Law enforcement	-	-	-	-
Fire	-	-	-	-
PEG	-	-	-	-
Library	-	-	-	-
Community Housing	-	-	-	-
Veterans Memorial Park	-	-	-	-
Hotel/Motel	-	-	-	-
Grants	-	-	-	-
Reserved for:				
Prepaid items	7,499	13,586	736,658	570,994
Debt service	2,054,266	2,494,512	2,734,212	1,891,142
Street construction	57,071,884	40,323,951	42,247,778	33,628,327
Capital projects funds	23,877,681	29,569,488	34,402,903	45,431,706
Unreserved, reported in:				
Special revenue funds	2,850,885	2,782,428	2,208,805	1,975,456
Total all other governmental funds	$ 85,862,215	$ 75,183,965	$ 82,330,356	$ 83,497,625

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No 54 which amended fund balance classifications in 2011. In addition, beginning in 2011, fund balance reflects the omission of MCVB, which is now reported as a discretely presented component unit of the City.

TABLE 3

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	**2016**
$ -	$ 193,885	$ 210,392	$ 241,881	$ 331,605	$ 46,072
-	304,556	295,637	532,207	852,860	1,253,144
-	315,194	-	-	-	-
-	1,647,500	287,500	-	-	-
-	-	-	-	-	350,172
-	1,692,681	1,855,500	2,026,617	2,485,326	2,811,040
-	46,207,763	48,144,225	39,038,915	45,819,513	61,145,601
-	-	-	-	-	-
-	-	-	-	-	-
2,917,500	-	-	-	-	-
1,600,559	-	-	-	-	-
37,448,127	-	-	-	-	-
$ 41,966,186	$ 50,361,579	$ 50,793,254	$ 41,839,620	$ 49,489,304	$ 65,606,029
$ 423,897	$ 18,976	$ 16,174	$ 19,817	$ 48,664	$ 92,305
1,261,454	1,719,641	2,240,054	2,917,011	2,917,011	3,894,517
31,356,277	31,346,331	33,107,139	30,631,205	64,887,370	65,976,278
36,523,123	36,259,889	46,153,392	50,015,128	65,017,451	89,308,763
164,887	549,780	768,113	855,456	558,905	564,486
26,858	23,983	35,664	40,567	42,963	49,898
-	-	-	-	1,493,395	1,825,885
384,855	168,894	242,609	248,630	224,501	203,093
65,005	56,485	90,025	85,617	73,787	73,536
-	6,371	16,109	15,412	13,751	14,067
-	309,242	513,456	779,686	1,312,903	2,210,837
150,292	395,946	335,943	349,064	269,985	257,398
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	918,558	-
$ 70,356,648	$ 70,855,538	$ 83,518,678	$ 85,957,593	$ 137,779,244	$ 164,471,063

CITY OF MCKINNEY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Property taxes	$ 49,491,145	$ 57,723,642	$ 62,832,495	$ 62,960,439
Sales and use taxes	16,189,172	17,683,376	17,124,800	16,926,949
Franchise fees	8,526,059	9,591,738	9,759,548	10,731,125
Other taxes and fees	-	-	-	-
Licenses and permits	5,651,313	5,011,193	4,726,614	4,809,193
Intergovernmental	6,077,805	5,700,988	15,403,491	4,400,346
Charges for services	4,140,201	4,353,096	4,867,661	5,846,806
Fines and forfeitures	1,777,098	2,220,418	2,276,354	1,990,092
Investment income	7,882,249	5,343,879	2,741,843	2,387,670
Contributions	5,332,359	8,102,152	14,668,141	6,000,759
Miscellaneous	149,371	436,393	856,806	255,221
Total revenues	105,216,772	116,166,875	135,257,753	116,308,600
EXPENDITURES				
General government	14,913,949	16,966,335	19,366,493	22,098,360
Police	16,273,783	18,860,105	19,923,024	20,145,964
Fire	14,473,038	16,227,513	17,894,488	17,959,131
Libraries	2,349,242	2,489,144	2,638,350	2,909,708
Development	9,305,154	9,457,015	9,185,580	9,159,668
Parks and recreation	5,945,941	6,733,160	7,399,164	7,145,909
Public works	9,964,055	21,786,333	12,275,920	13,286,420
Airport	614,282	8,541,987	1,850,442	2,655,115
Capital outlay	35,697,217	50,500,331	52,493,363	29,483,890
Debt service:				
Principal retirement	6,722,708	8,370,008	9,905,035	10,848,562
Interest and fiscal charges	7,459,981	7,677,731	9,008,269	9,679,110
Total expenditures	123,719,350	167,609,662	161,940,128	145,371,837
Excess (deficiency) of revenues over (under) expenditures	(18,502,578)	(51,442,787)	(26,682,375)	(29,063,237)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	20,490,000	37,205,000	28,210,000	25,295,000
Deposit to escrow account	-	-	-	-
Premium on issuance of debt	56,933	-	-	-
Issuance costs of long-term debt	-	-	-	-
Proceeds from sale of property	294,026	293,648	93,301	111,934
Transfers in	6,460,890	4,662,194	4,813,797	3,548,163
Transfers out	(3,977,374)	(2,374,272)	(1,979,954)	(904,861)
Total other financing sources (uses)	23,324,475	39,786,570	31,137,144	28,050,236
Prior period adjustment	1,857,835	-	-	-
NET CHANGE IN FUND BALANCES	$ 6,679,732	$ (11,656,217)	$ 4,454,769	$ (1,013,001)
Debt service as a percentage of noncapital expenditures	**16.1%**	**13.7%**	**17.3%**	**17.7%**

Source: Comprehensive Annual Financial Report

TABLE 4

Fiscal Year					
2011	**2012**	**2013**	**2014**	**2015**	**2016**
$ 62,717,460	$ 64,194,518	$ 66,252,931	$ 70,362,574	$ 79,955,673	$ 90,670,647
17,265,587	18,342,838	20,335,968	21,278,009	23,041,949	25,360,264
11,941,486	12,113,230	12,725,594	13,696,854	13,767,129	14,162,263
-	-	-	-	434,494	417,981
4,692,292	7,204,700	8,154,941	8,168,583	10,537,838	11,484,965
5,861,390	5,656,795	5,832,483	5,405,262	5,434,807	4,249,380
6,040,354	5,892,485	4,957,547	5,074,643	6,721,752	7,941,488
2,183,023	2,507,707	2,499,512	2,191,902	2,029,116	2,061,020
1,284,718	846,135	330,063	291,194	370,660	1,153,094
5,224,780	7,438,881	10,030,426	12,053,759	14,229,992	13,117,358
265,146	661,477	282,923	367,552	533,192	715,114
117,476,236	124,858,766	131,402,388	138,890,332	157,056,602	171,333,574
20,785,693	19,020,719	19,336,330	30,876,833	22,228,405	23,766,504
19,655,184	20,285,700	22,036,551	24,603,118	25,545,773	27,074,194
17,930,235	17,302,735	19,409,153	21,004,629	22,848,846	23,588,822
2,781,727	2,775,484	2,826,451	2,868,747	3,279,002	3,379,840
8,512,495	8,119,293	8,750,307	9,617,376	10,291,439	10,074,158
7,275,824	6,954,994	7,504,161	7,804,340	8,072,018	8,977,206
10,610,792	10,882,395	11,097,574	12,150,458	13,857,657	13,007,662
565,000	565,000	613,513	-	-	-
22,264,775	13,503,040	16,299,213	34,224,581	24,259,961	20,225,428
9,980,000	10,390,000	10,755,000	10,810,000	13,485,000	16,452,929
10,254,116	9,466,819	8,823,139	9,304,662	9,024,315	10,347,358
130,615,841	119,266,179	127,451,392	163,264,744	152,892,416	156,894,101
(13,139,605)	5,592,587	3,950,996	(24,374,412)	4,164,186	14,439,473
-	14,670,000	24,925,000	56,370,000	45,715,000	57,530,000
-	(16,685,444)	(21,716,799)	(27,119,524)	-	(44,520,122)
-	2,127,248	3,019,430	3,687,285	7,009,684	8,868,878
-	-	-	-	(410,405)	(489,277)
105,911	205,236	61,977	25,972	28,488	3,436,712
3,385,024	4,505,981	9,866,340	(9,732,556)	5,027,413	8,778,072
(741,722)	(1,707,679)	(7,012,129)	(5,372,237)	(2,062,278)	(5,235,192)
2,749,213	3,115,342	9,143,819	17,858,940	55,307,902	28,369,071
-	-	-	-	-	-
$ (10,390,392)	$ 8,707,929	$ 13,094,815	$ (6,515,472)	$ 59,472,088	$ 42,808,544
18.7%	**18.8%**	**17.6%**	**15.6%**	**17.5%**	**19.6%**

CITY OF MCKINNEY, TEXAS
ASSESSED VALUE OF TAXABLE PROPERTY
(PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 5

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farms Property	Less: Tax-Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate
2007	$5,795,848,917	$2,118,454,275	$1,384,973,885	$1,079,023,763	$8,220,253,314	0.58800
2008	6,791,710,804	2,484,651,531	1,625,116,907	1,252,624,142	9,648,855,100	0.58550
2009	7,403,164,789	2,870,687,709	1,579,799,525	1,263,350,246	10,590,301,777	0.58550
2010	7,626,499,353	2,929,634,966	1,335,349,886	1,176,779,441	10,714,704,764	0.58550
2011	7,727,106,308	2,890,958,467	1,236,326,385	1,174,802,675	10,679,588,485	0.58550
2012	7,987,599,999	2,824,853,811	1,172,661,685	1,138,232,846	10,846,882,649	0.58550
2013	8,191,878,816	2,813,905,174	1,167,916,179	1,145,519,714	11,028,180,455	0.58550
2014	8,912,765,220	2,923,157,524	1,197,788,548	2,104,215,838	10,929,495,454	0.58550
2015	10,330,477,753	3,120,649,093	1,331,499,993	1,308,701,373	13,473,925,466	0.58300
2016	12,029,014,758	3,398,536,705	1,406,368,521	1,506,353,094	15,327,566,890	0.58300

Source: City of McKinney Budget Document
Collin Central Appraisal District

Note: Property in Collin County is reassessed once every five years on average.
The County assesses property at 100% of its market value. Tax rates are per $100 of assessed value.

[a] Includes adjustments to certified rolls
Fiscal Year reports Certified Tax Report from prior calendar year

CITY OF MCKINNEY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 6

	City Direct Rates			Overlapping Rates							
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	McKinney ISD	Allen ISD	Frisco ISD	Melissa ISD	Prosper ISD	Lovejoy ISD	Collin County	Collin College District
2007	0.41817	0.16983	0.58800	1.84100	1.77510	1.58000	1.78000	1.80000	1.69340	0.24500	0.08768
2008	0.41923	0.16627	0.58550	1.51700	1.47030	1.35000	1.53500	1.67000	1.47630	0.24500	0.08698
2009	0.40650	0.17900	0.58550	1.51700	1.47030	1.37000	1.54000	1.67000	1.51500	0.24250	0.08649
2010	0.40650	0.17900	0.58550	1.54000	1.54000	1.39000	1.54000	1.64000	1.53500	0.24250	0.08630
2011	0.40650	0.17900	0.58550	1.52800	1.54000	1.39000	1.54000	1.63000	1.53500	0.24000	0.08630
2012	0.41220	0.17330	0.58550	1.54000	1.67000	1.42000	1.54000	1.67000	1.53500	0.24000	0.08630
2013	0.42179	0.16371	0.58550	1.54000	1.67000	1.46000	1.54000	1.67000	1.53500	0.24000	0.08630
2014	0.41220	0.17330	0.58550	1.67000	1.67000	1.46000	1.54000	1.67000	1.53500	0.23750	0.08364
2015	0.41544	0.16756	0.58300	1.67000	1.64000	1.46000	1.54000	1.67000	1.56000	0.23500	0.08196
2016	0.40997	0.17303	0.58300	1.67000	1.61000	1.46000	1.67000	1.67000	1.56000	0.22500	0.08196

Source: Collin Central Appraisal District
ISD: Independent School District

CITY OF MCKINNEY, TEXAS
PRINCIPAL TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO (UNAUDITED)

TABLE 7

	2016			2007		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[a]**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[b]**
Encore Wire Limited	$ 126,284,170	1	0.82%	$ 65,849,193	1	0.80%
Raytheon TI Systems	73,097,940	2	0.48%	60,236,214	2	0.73%
Oncor Electric Delivery Co.	55,760,207	3	0.36%	-		-
Fairways Wilson Creek Apartments LLC	48,733,905	4	0.32%	-		-
Rowlett Apartments LLC	45,502,950	5	0.30%	-		-
Columbia Medical Center of McKinney	45,284,370	6	0.30%	39,619,907	7	0.48%
Centennial Lake Forest LP (Century Lake Forest)	44,919,350	7	0.29%	-		-
West Eldorado TX Partners LLC (Saxon Woods)	44,370,836	8	0.29%	41,626,093	5	0.51%
Areg Grassmere TX Partners LLC (Retreat at Stonebridge)	44,171,333	9	0.29%	-		-
Craig Ranch PT MFA I LP (Parkside At Craig Ranch)	42,024,294	10	0.27%	-		-
TXU Electric Delivery Co.	-		-	53,803,940	3	0.65%
Horton D R - Texas, LTD	-		-	42,789,221	4	0.52%
Covington Cameron Acquisition LLC	-		-	40,000,000	6	0.49%
VCIM Partners LP	-		-	37,337,438	8	0.45%
McKinney Towne Crossing LP	-		-	33,624,518	9	0.41%
Texas Instruments Inc	-			32,535,588	10	0.40%
Total	$ 570,149,355		3.72%	$ 447,422,112		5.44%

Source: Collin County Tax Assessor and Collector

Notes: [a] Taxpayers are assessed on January 1, 2015 (2014 tax year) for the 2016 fiscal year.
[b] Taxpayers are assessed on January 1, 2006 (2005 tax year) for the 2007 fiscal year.

CITY OF MCKINNEY, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 8

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	$ 48,607,924	$ 47,974,805	98.70%	$ 573,378	$ 48,548,183	99.88%
2008	56,776,558	56,166,777	98.93%	582,074	56,748,851	99.95%
2009	62,280,815	61,576,965	98.87%	617,636	62,194,601	99.86%
2010	62,486,523	61,922,528	99.10%	472,060	62,394,588	99.85%
2011	62,492,355	61,901,919	99.06%	468,167	62,370,086	99.80%
2012	63,379,911	63,014,520	99.42%	247,615	63,262,135	99.81%
2013	64,503,109	64,302,483	99.69%	-	64,302,483	99.69%
2014	69,690,291	69,377,804	99.55%	-	69,377,804	99.55%
2015	77,659,212	78,046,228	100.50%	(647,254)	77,398,974	99.66%
2016	87,895,034	88,545,948	100.74%	(950,904)	87,595,044	99.66%

Source: Collin County Tax Assessor and Collector

CITY OF MCKINNEY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 9

	Governmental Activities				Business-Type Activities				
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
2007	$ 127,240,000	$ 38,675,000	$ -	$ 2,785,323	$ 67,175,000	$ (81,853)	$ 235,793,470	7.26%	2,047
2008	145,515,000	49,315,000	-	3,364,894	75,085,000	129,450	273,409,344	8.02%	2,260
2009	146,080,000	67,115,000	-	3,807,225	81,025,000	148,043	298,175,268	8.67%	2,442
2010	153,030,000	74,675,000	-	4,828,737	82,975,000	317,087	315,825,824	8.55%	2,409
2011	145,415,000	72,310,000	-	4,931,501	78,635,000	397,025	301,688,526	7.25%	2,258
2012	140,685,000	64,990,000	-	9,127,211	74,040,000	751,312	289,593,523	6.73%	2,128
2013	132,770,000	65,835,000	-	13,003,078	68,980,000	1,637,718	282,225,796	6.20%	2,004
2014	144,245,000	68,875,000	4,910,000	8,353,993	64,415,000	1,786,567	292,585,560	6.00%	1,969
2015	192,241,210	66,151,279	5,031,638	1,732,249	66,009,020	-	331,165,396	6.50%	2,135
2016	210,133,796	54,330,000	3,792,501	1,379,321	79,937,575	-	349,573,193	6.36%	2,159

Note: Details regarding the City's outstanding debt is found in the notes to the financial statements.

[a] See Table 14 for personal income and population data.

CITY OF MCKINNEY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 10

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	Certificates of Obligation	Tax Notes	Total	Percentage of Actual Taxable Value of Property[a]	Per Capita[b]
2007	$ 127,240,000	$ -	$ -	$ 127,240,000	1.55%	1,105
2008	145,515,000	-	-	145,515,000	1.51%	1,203
2009	146,080,000	-	-	146,080,000	1.38%	1,197
2010	153,030,000	-	-	153,030,000	1.42%	1,167
2011	145,415,000	72,310,000	-	217,725,000	2.02%	1,629
2012	140,685,000	64,990,000	-	205,675,000	1.88%	1,512
2013	132,770,000	65,835,000	-	198,605,000	1.80%	1,410
2014	144,245,000	68,875,000	4,910,000	218,030,000	1.99%	1,468
2015	192,241,210	66,151,279	5,031,638	263,424,127	1.95%	1,698
2016	210,133,796	54,330,000	3,792,501	268,256,297	1.75%	1,657

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[a] See Table 5 for property value data.

[b] See Table 14 for population data.

CITY OF MCKINNEY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 11

	Fiscal Year									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.5880	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855	0.5830	0.5830
Available Tax Rate	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.92	$ 1.92

Note: The City Charter of the City of McKinney, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

CITY OF MCKINNEY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2016 (UNAUDITED)

TABLE 12

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable[a]	McKinney Share of Overlapping Debt
Debt repaid with property taxes			
McKinney ISD	$ 447,930,000	89.904%	$ 402,709,099
Collin College District	17,206,466	15.403%	2,650,260
Collin County	395,590,000	15.386%	60,865,486
Allen ISD	590,830,275	5.906%	34,893,957
Frisco ISD	1,888,295,843	14.715%	277,866,472
Melissa ISD	156,796,632	0.001%	847
Prosper ISD	336,760,691	24.476%	82,425,086
Lovejoy ISD	157,463,766	2.774%	4,367,385
Subtotal, overlapping debt	$ 3,990,873,673		$ 865,778,592
City of McKinney (direct debt)	268,255,297	100.000%	268,255,297
Total direct and overlapping debt			$ 1,134,033,889

Source: Assessed value data used to estimate applicable percentages provided by Collin County Central Appraisal District. Debt outstanding data provided by each governmental unit.

Note: [a] The percentage of overlapping debt applicable is estimated using taxable assessed property values (before freeze loss). Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF MCKINNEY, TEXAS **TABLE 13**
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

	Water and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2007	$ 38,406,298	$ 26,743,067	$ 11,663,231	$ 4,820,870	2.42
2008	39,935,862	29,237,087	10,698,775	5,353,390	2.00
2009	46,584,797	32,157,583	14,427,214	5,744,594	2.51
2010	48,990,765	34,215,781	14,774,984	5,797,296	2.55
2011	57,912,585	35,956,535	21,956,050	5,402,317	4.06
2012	55,403,332	37,820,688	17,582,644	4,979,317	3.53
2013	57,208,779	41,360,736	15,848,043	4,523,586	3.50
2014	55,313,403	44,364,584	10,948,819	4,155,783	2.63
2015	59,442,114	49,810,061	9,632,053	4,110,810	2.34
2016	71,714,020	57,597,770	14,116,250	4,861,938	2.90

Note: [a] Includes operating revenues and investment income.
[b] Includes operating expenses minus depreciation.
[c] Includes Principal and Interest (represents average annual requirement).

CITY OF MCKINNEY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 14

Year	Estimated Population[a]	Personal Income[b]	Per Capita Personal Income[e]	Median Age[e]	Median Household Income[a]	School Enrollment[c]	Unemployment Rate[d]
2007	115,198	$ 3,246,855,630	$ 28,185	30.6	$ 63,366	22,307	4.10%
2008	120,978	3,409,764,930	28,185	30.6	63,366	23,310	4.70%
2009	122,083	3,440,909,355	28,185	30.6	63,366	23,889	7.40%
2010	131,117	3,695,532,645	28,185	30.6	63,366	24,346	8.00%
2011	133,619	4,158,624,137	31,123	31.7	77,405	24,730	8.10%
2012	136,067	4,304,479,545	31,635	32.0	78,256	24,461	5.90%
2013	140,826	4,550,088,060	32,310	33.6	79,171	24,533	5.60%
2014	148,559	4,880,014,591	32,849	30.6	81,118	24,791	4.50%
2015	155,142	5,096,259,558	32,849	33.0	81,118	24,765	3.40%
2016	161,905	5,495,217,605	33,941	33.3	82,988	24,827	3.60%

Sources:
[a] Source Data: McKinney Planning Department
[b] Personal income calculated by multiplying estimated population by per capita personal income.
[c] Source Data: McKinney Independent School District
[d] Source Data: Texas Workforce Commission for month ending September
[e] Source Data: US Census Bureau

CITY OF MCKINNEY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO (UNAUDITED)

TABLE 15

	2016			2007		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
McKinney ISD	2,742	1	3.32%	2,223	2	4.06%
Raytheon Space & Airborne Systems	2,725	2	3.30%	2,980	1	5.44%
Collin County	1,881	3	2.28%	1,600	3	2.92%
Encore Wire Corp.	1,500	4	1.82%	-		-
City of McKinney	1,097	5	1.33%	835	8	1.52%
Medical Center of McKinney	1,071	6	1.30%	950	7	1.73%
Torchmark / United American Ins. (TMK)	860	7	1.04%	729	10	1.33%
Collin College	711	8	0.86%	-		-
Baylor Medical Center	688	9	0.83%	-		-
Timber Blinds	450	10	0.54%	-		-
Encore Wire	-		-	800	9	1.46%
Blockbuster Entertainment Group	-		-	955	6	1.74%
Lattimore Materials	-		-	1,100	5	2.01%
Wal-Mart Stores (3) locations & Sams Club (1) Store	-		-	1,348	4	2.46%
Total	13,725		16.61%	13,520		24.68%

Source: Top Ten Employer data provided by McKinney Economic Development Corporation
Total City Employment provided by Texas Labor Workforce Commission (TWC)

CITY OF MCKINNEY, TEXAS **TABLE 16**

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
Function/Program	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
General government	80.5	88.5	90.5	104.5	102.5	91.0	98.5	101.5	109.8	119.8
Police	173.0	192.0	203.0	208.0	207.0	206.0	219.0	236.0	238.0	244.0
Fire	147.2	166.2	167.2	167.2	166.7	164.5	167.5	171.5	174.5	188.0
Libraries	31.1	31.1	38.7	37.7	34.8	32.8	38.6	38.6	40.0	41.0
Development	109.1	114.6	112.6	105.1	97.0	81.5	82.5	92.0	95.0	96.0
Parks and recreation	81.5	83.5	84.5	81.5	84.0	85.0	87.0	87.0	91.8	108.5
Public works	57.8	67.0	60.7	61.7	61.7	61.7	61.4	66.9	71.1	74.1
Water/wastewater	69.0	77.3	79.7	77.7	74.7	74.7	73.0	77.4	80.6	84.3
Surface water drainage	0.0	0.0	11.0	11.0	11.0	11.0	11.0	14.3	14.3	15.3
Solid waste	4.0	9.0	10.0	12.0	12.0	12.0	12.0	13.0	13.0	13.0
Airport *	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.0	23.5	23.0
Total[a]	753.2	829.2	857.8	866.3	851.4	820.2	850.5	921.1	951.5	1006.9

Source: City of McKinney Budget Book

[a] Excludes component units

* FY14 - The Airport component unit was reclassified in to a city enterpise fund

CITY OF MCKINNEY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	Fiscal Year 2007	2008	2009	2010
Police				
Number of police officers	149	158	161	161
Number of violations (citations)[a]	22,413	27,804	30,623	33,729
Fire				
Number of fire fighters	149	150	151	151
Number of fire suppression runs	2,750	2,950	3,109	3,239
Number of EMS runs	5,500	6,100	6,800	7,100
Development Services				
Construction permits issued[b]	6,970	5,539	4,154	3,816
Estimated valuation[b]	$ 601,907,826	$ 480,774,997	$ 772,318,950	$ 533,916,212
Public Works				
Street maintenance - paved (miles)	8	8	9	9
Street signs repaired/installed	1,876	2,000	2,500	2,500
Parks and Recreation				
Park land and municipal acreage maintained	1,144	1,566	1,566	1,566
Rounds of golf	35,000	35,878	36,000	35,000
Library				
Volumes in collection[c]	136,054	149,406	177,800	210,000
Annual circulation	630,000	652,675	660,000	900,000
Water and Wastewater				
Number of water customers	38,200	39,590	40,498	41,853
Average daily water consumption (million gallons)	19.3	23.2	23.0	22.7
Maximum storage capacity (million of gallons)	42.0	42.0	44.0	44.0
Solid Waste				
Recyclables collected (tons)	15,120	17,145	17,670	13,438
Solid waste collected (tons)	123,150	129,310	135,026	120,978

Source: City Departments

Note: [a] Basis for issued citation reconciliation adjusted in FY11
[b] Includes residential, commercial, and miscellaneous permits (*i.e.* pools, fences)
[c] Includes books and media.

Fiscal Year					
2011	2012	2013	2014	2015	2016
161	161	187	188	192	193
18,754[a]	17,366	14,944	16,966	14,524	13,380
151	153	159	161	162	177
3,598	2,883	3,716	4,571	4,828	3,373
6,180	6,936	6,613	7,170	7,642	9,537
4,316	6,461	5,607	5,920	6,499	7,220
$ 469,799,412	$ 722,830,462	$ 843,390,781	$ 876,066,508	$ 1,967,876,862	$ 1,154,787,809
11	15	13	4	1	3
1,671	1,260	1,299	1,750	2,979	1,483
1,708	1,834	1,834	1,834	1,834	1,857
33,064	34,400	35,121	31,400	28,500	27,314
219,704	227,585	232,814	232,814	223,674	217,402
1,095,739	1,179,539	1,205,789	1,205,789	1,401,625	1,640,857
42,946	44,644	46,791	49,456	51,636	52,922
28.5	28.5	26.7	24.0	25.3	28.8
44.0	44.0	44.0	46.0	48.0	63.0
16,350	14,880	15,640	23,478	25,567	19,991
114,937	112,794	114,485	127,467	132,947	135,425

CITY OF MCKINNEY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 18

Function/Program	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	46	65	82	110	120	120	126	141	153	153
Motorcycle Units	8	11	9	8	8	8	7	7	9	9
Skywatch Towers	-	-	-	1	2	2	2	2	2	2
Trailers	-	-	-	-	-	-	-	4	8	8
Fire										
Stations	6	6	7	8	8	8	8	8	8	8
Public Works										
Streets-Paved (miles)	623.0	625.0	625.0	706.0	723.0	723.0	760.9	728.7	752.9	775.0
Streets-Graded (miles)	39.0	39.0	39.0	16.0	16.0	16.0	16.0	15.6	16.8	16.8
Streets-Unimproved (miles)	14.0	14.0	14.0	14.0	14.0	14.0	14.0	3.5	1.4	1.4
Alleys (miles)	80.0	80.0	80.0	78.0	78.0	78.0	71.2	78.0	78.0	73.0
Street lights (Including US 75)	4,662	4,760	4,760	4,760	5,901	5,901	6,147	6,333	6,776	6,790
Parks and Recreation										
Park Acreage	1,674	1,862	2,025	2,025	2,025	2,082	2,432	2,247	2,247	2,310
Public Parks	32	34	36	36	36	39	40	40	40	41
Municipal Golf Course[b]	1	1	1	1	1	1	1	1	1	1
Community/Recreation Centers	3	3	3	3	3	3	3	3	3	3
Public Swimming Pools	3	3	3	3	3	3	3	3	3	3
Splash Pads	2	5	6	7	7	7	7	7	7	8
Baseball/Softball Diamonds	27	27	27	27	27	27	27	27	27	27
Tennis Courts	2	2	2	2	2	13	13	13	13	13
Soccer Fields (regulation size)	22	22	22	22	22	22	22	22	22	22
Disc Golf Course	1	1	1	1	2	2	2	2	2	2
Skate Park	-	-	-	-	-	-	1	1	1	1
Ice Rink[b]	-	-	-	1	1	1	1	1	1	1
Library	1	1	2	2	2	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	42	42	44	44	44	44	46	46	48	63
Water Mains (miles)	680	737	765	770	787	806	820	1,020	826	868
Fire Hydrants	6,100	6,529	7,388	6,688	7,007	7,473	7,734	7,823	8,030	8,384
Storm Sewer (miles)	213	257	257	257	266	396	406	428	430	450
Sanitary Sewers (miles)	520	582	605	610	630	620	662	672	628	653
Airport	1	1	1	1	1	1	1	1	1	1
Dedicated airport property (acres)	661	661	661	745	745	745	745	745	745	745
Runway length (ft) x width (ft)	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,002x150	7,002x150	7,002x150	7002x150	7002x150

Source: City Departments

Note: [a] per Police Department
[b] City owned, privately operated

McKINNEY™
TEXAS
Unique by nature.℠

www.mckinneytexas.org